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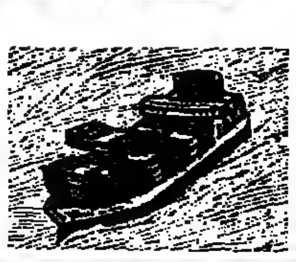
FINANCIAL TIMES

World Business Newspaper — THURSDAY FEBRUARY 1 1996

Guided weapons
A dilemma for Britain
Page 13

Apple forever
Should I buy a new Mac?
Technology, Page 10

Sniffing around
PetsMart turns to Europe
Page 15



Deep resources
Accessing the US capital markets
Survey, Pages 21-24

Kinnock attacked over approval of subsidy for Iberia

European Union transport commissioner Neil Kinnock (below) has been denounced by the British government for approving a Pta87bn ($713m) state subsidy for the Spanish airline Iberia. Viscount Goschen, the UK aviation minister, threatened a European Court challenge to the "depressingly weak decision". Mr Kinnock has justified his position by saying the Spanish government's rescue package should not be categorised as state aid in the traditional sense. Page 7

Ford warns of weaker earnings: Ford, the US's second biggest car manufacturer, said its core operations had barely managed to break even in the final quarter of last year and warned that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of this year. Page 15; GM rediscovers brand, Page 18

Chirac presents Nato plans: French president Jacques Chirac is to outline to the US government his hopes for a reformed Nato, going back on earlier ambitions to upgrade the Western European Union to supersede the Atlantic alliance. Page 2; Editorial Comment, Page 13

Santer launches 'confidence pact': Jacques Santer, president of the European Commission, announced plans to spend an extra Ecu1.7bn ($2bn) on public works in a "confidence pact" to counter fears that moves to monetary union are putting people out of work. Page 14

Crédit Foncier chief removed: The French government announced the abrupt replacement of the head of Crédit Foncier de France, the troubled financial institution specialising in property lending. But in an unusual turn of events Jean-Claude Colli did not resign, in a gesture believed to reflect his frustration with the decision. Page 15

Elf, the French oil company, and Enterprise, the UK explorer, have "reorganised" their lossmaking Elf Enterprise Petroleum joint venture. Elf and Enterprise said there would be no impact on the three North Sea fields operated by EEP. *Page 30; Operators seek cost savings, Page 8;* Lex, Page 14

Rhône-Poulenc to cut debt: French chemical group Rhône-Poulenc announced a 10 per cent decline in operating income and disposals worth FFr10bn ($2bn) aimed at cutting its debt and boosting its "inadequate" profitability. Page 16

Oregon to have Democrat senator: Oregon is to have its first Democratic US senator in 29 years with the election of Congressman Ron Wyden to replace Senator Bob Packwood, who resigned last year over charges of sexual harassment. Page 4

Philip Morris, the US tobacco and food group, recorded a 16.5 per cent jump in net profits to $1.3bn in the fourth quarter, helped by strong sales of Marlboro cigarettes. Page 18

Philippine reforms in doubt: The largest party in the ruling Philippine coalition has split off to form an opposition group in the senate, calling into question the government's ability to enact controversial economic reforms. Page 14

Hanson shares fall: Industrial conglomerate Hanson's shares fell 8¾p to 202¼p on the London market as doubts emerged about its plan to split into four. Page 15; The Hanson demerger, Page 20

New Polish PM proposed: The leaders of both parties in the ruling Polish coalition proposed Wlodzimierz Cimoszewicz from the ruling Democratic Left Alliance to replace Jozef Oleksy as prime minister, pointing to an early end to the political crisis. Page 14; Profile, Page 2

Move to defuse Turkish-Greek tensions: Richard Holbrooke, the US envoy to the Balkans, launched a diplomatic initiative to defuse Turkish-Greek tensions and avoid the recurrence of armed stand-offs in the Aegean. Page 2

Alliance & Leicester, the UK's fourth largest building society, confirmed that it planned to float and become a bank by early next year, but the scale of the bonus to its 2.5m investors is uncertain. Lex, Page 20

Eurodis Electron, the fifth largest electronic component distributor in Europe, faces a potentially hostile takeover after Elektrowatt, its largest shareholder, said it intended to sell its 42 per cent holding. Page 15

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,304.10	(+2.89)
NASDAQ Composite	1,054.72	(+3.42)
Europe and Far East		
CAC40	2,021.03	(+17.90)
DAX	2,470.14	(+34.35)
FT-SE 100	3,759.3	(+24.0)
Nikkei	20,812.74	(+90.30)

US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.065%
Long Bond	111½
Yield	6.025%

OTHER RATES

UK: 3-mo Interbank	6¼%	(same)
UK: 10 yr Gilt	106⅝	(107⅛)
France: 10 yr OAT	106.3	(106.34)
Germany: 10 yr Bund	100.78	(100.86)
Japan: 10 yr JGB	111.089	(111.148)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$18.46	(16.39)

GOLD

New York Comex (Apr)	$408.5	(407.0)
London: close	$405.5	(405.2)

DOLLAR

New York lunchtime		
£	1.5120	
DM	1.4872	
FFr	5.1054	
SFr	1.21115	
Y	106.985	
London:		
£	1.511	(1.5043)
DM	1.4879	(1.4899)
FFr	5.1078	(5.1185)
SFr	1.2101	(1.2135)
Y	106.915	(107.25)

STERLING

DM	2.2482	(2.2412)
Tokyo $ close:	Y 106.94	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.55	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw120.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.20	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)		Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000		Esc40	UAE	Dh12.00

Canadian banks sue law firm over Canary Wharf

By Bernard Simon in Toronto and Robert Rice in London

Clifford Chance, the UK's largest international law firm, is being sued for C$1.3bn ($940m) by four Canadian banks which incurred heavy losses in the early 1990s from the collapse of the Canary Wharf office development in London's Docklands.

Writs filed by the banks simultaneously in London and Ontario allege that they forfeited an influential role in the restructuring of Canary Wharf as a result of incorrect information provided by Clifford Chance in a 1989 legal opinion.

The UK firm has not yet filed a defence. However, it has challenged the Ontario court's jurisdiction to hear the case. A hearing on the jurisdiction issue has been scheduled for the end of May.

Canary Wharf was put into administration in May 1992 following the collapse of its parent, Olympia & York Developments, the property group owned by Canada's Reichmann family.

Under a subsequent restructuring, a group of 11 international banks, including the four Canadian institutions, gained control of the project.

The banks' involvement ended late last year when they sold their interest to a consortium led by Mr Paul Reichmann. The four Canadian banks – Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and National Bank of Canada – filed their claim against Clifford Chance last June, before the sale was concluded.

The claim stems from a £400m ($610m) "equity loan" which the banks provided to O&Y in 1989 to capitalise Canary Wharf's main holding company. O&Y pledged its shares in the holding company as security for the loan.

According to the banks, Clifford Chance advised them that the holding company was a private limited company, when in fact it had unlimited liability.

The banks allege that, because of the company's unlimited liability, they were unable to enforce their collateral without becoming liable themselves for the project's entire debt.

According to CIBC's statement of claim, "the bank's expectation that it would enforce its pledge and thereafter control the completion, lease-up and ultimate disposition of Canary Wharf... was therefore completely frustrated as a direct result of the defendant's negligence".

In a statement issued yesterday the law firm said the C$1.3bn figure was misleading. "To date no evidence has been produced to us that any loss was incurred by these banks in relation to these loans following the collapse of O&Y as a result of any negligence on the part of Clifford Chance. If the banks pursue the claim, they will have to provide evidence of the alleged loss, but in that event we believe the amount involved would be very small."

The firm refused to discuss its indemnity insurance cover, but it is widely believed large UK law firms carry cover up to £150m.

Dutch bank plans City [illegible], Page 8

Fed reduces short-term US rates by quarter point

By Michael Prowse in Washington

The Federal Reserve – the US central bank – yesterday moved to stimulate a sluggish economy by cutting short-term interest rates by a quarter point.

The easing of policy followed a similar quarter-point cut in rates late in December. The immediate reaction on Wall Street was subdued because share prices had already risen strongly on Tuesday in anticipation of the Fed's action.

The Dow Jones industrial average, which suddenly dropped 30 points from its opening level minutes before the rate cut announcement, recovered in late-afternoon trading to be up about 15 points. Bond prices were volatile, but shortly after the cut, the 30-year long bond was up a modest ¼ point at 111¾.

"Moderating economic expansion in recent months has reduced potential inflationary pressures going forward," the Fed said yesterday in a short explanatory statement. "With price and cost trends already subdued, a slight easing of monetary policy is consistent with contained inflation and sustainable growth."

The Clinton administration welcomed the decision and said the fundamentals were in place for a strong economy in 1996.

The policy relaxation involved cuts in two short-term rates. The Fed lowered the federal funds rate – the rate at which banks lend to each other – by a quarter point to 5.25 per cent. Governors also voted unanimously to lower the largely symbolic discount rate – the rate at which the Fed lends to banks – by a quarter point to 5 per cent.

Mr John Lipsky, chief economist at Salomon Brothers in New York, said there was "ample justification for additional easing beyond today's move". The fact that the Fed had cut the discount rate, he said, indicated it might be contemplating a further cut before the next scheduled meeting of the policy-making open market committee in March.

Yesterday's move marked the third quarter-point cut in the federal funds rate since the Fed began to ease monetary policy last July, when rates stood at 6 per cent. The discount rate was last reduced in July 1992.

The Fed was responding to weak statistics indicating that economic growth has slowed to an annualised rate of about 1.5 per cent, well below the economy's potential. It has also been criticised for keeping short-term rates unnecessarily high relative to an underlying inflation rate of about 2.5 per cent.

Some Wall Street economists believe the Fed will ease policy several times this year, bringing short-term interest rates to about 4.5 per cent by the summer.

Others, however, believe there is little, if any, scope for further rate cuts because the economy is likely to rebound naturally this spring. They point out that recent soft data partly reflects special factors, including two partial government shutdowns, a long strike at Boeing, the aircraft maker, and unusually severe winter weather.

Lex, Page 14; Bonds, Page 26; Currencies, Page 27; World Stocks, Page 36

A Sri Lankan runs away from the site of the bomb blast in the centre of the capital, Colombo, yesterday, which killed at least 55 people and injured more than 1,400. The army blamed separatist Tamil Tigers for the attack. Report, Page 6 Picture: Reuter

US airlines landing on their feet

By Richard Tomkins in New York

The US airline industry, long mired in heavy losses, made an astonishing recovery in 1995 by notching up its most profitable year since the invention of powered flight.

With most US airlines' fourth-quarter results now in, the Air Transport Association, an industry body, believes net profits for the year will total about $2.2bn, easily beating the previous record of $1.7bn in 1988.

The 1995 figure represents a turnround from losses of $279m the year before and marks the end of a five-year period during which US airlines ran up combined losses of more than $13bn.

One reason for the return to profitability was a rise in passenger traffic. The Air Transport Association said the number of miles flown by passengers rose by 2.7 per cent on domestic flights and by 4.1 per cent on international flights last year, making 3.1 per cent overall. The airlines have also been making determined efforts to cut costs. UAL, parent of United Airlines, has given its employees a controlling stake in the company in return for pay cuts worth $4.9bn over 12 years. Delta Air Lines is part way through a plan to cut its workforce by 15,000, or 20 per cent, saving $2bn a year.

However, the biggest contributor to the profits growth has been the increase in fares that has accompanied cuts in capacity. Most large US carriers have been withdrawing from routes where they do not make money, leaving fewer seats to be filled with bargain-basement fares.

Mr Philip Baggaley, an analyst at Standard & Poor's, the US credit rating agency, said the common philosophy among airlines in the 1980s was to try to build up a national route network, covering as much of the country as they could.

"Today, in contrast, airlines have retreated to more modest goals and are focusing mainly on markets where they have competitive strengths, conceding the other markets to others," he said.

In spite of the record profits, the industry's celebrations are muted. The Air Transport Association pointed out that, even at these levels, the industry's net profits represent barely 2.5 per cent of revenues compared to an average net profit margin of 5 per cent for US industry generally.

Continued on Page 14

Jobs warning by German car industry despite Bonn plan

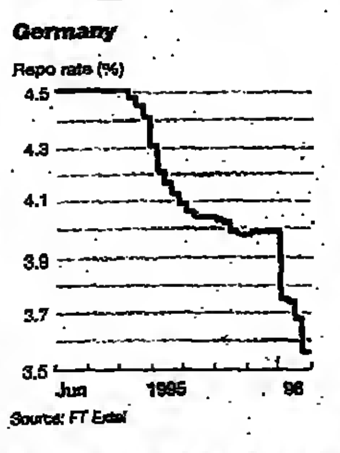
By Wolfgang Münchau in Stuttgart

The German car and components sector will shed 100,000 jobs by the end of the decade unless the government agrees to fundamental measures to reduce business costs, the industry said yesterday, only a day after the Bonn coalition presented its economic stimulus package.

The warning came as the Bundesbank allowed its securities repurchase rate, the most important influence on short-term money market rates in Germany, to fall to its lowest level since November 1987.

However, the view among Frankfurt bankers and analysts was that the drop in the repo rate from 3.55 per cent to 3.4 per cent did not presage a cut by the Bundesbank council today in the key discount and lombard rates from 3 per cent and 5 per cent.

Germany



Source: FT Extel

The car industry's gloom underlines its lack of confidence in the government jobs programme, its continued fears about the country's waning competitiveness and general frustration about what is considered to be the highest cost base in the world.

The German motor industry association (VDA) also claimed that a recent change in the tax rules for people with company cars would cost the industry billions of D-Marks in lost sales.

At her annual news conference, Ms Erika Emmerich, president of the VDA, one of Germany's most powerful lobbying groups, said: "Without further sustained cost reductions, which could lead to an improvement in [Germany's] competitive position, the pressure for further job reductions will increase. We could see a further 100,000 job losses in the car industry and its suppliers by the end of the decade."

She called on the government

Continued on Page 14

Bundesbank cuts repo rate, Page 2; Editorial Comment, Page 13; Currencies, Page 27; World Stocks, Page 36

CONTENTS

NEWS: EUROPE

Brussels plan to clean up mergers mess

By Emma Tucker in Brussels

When medium-sized companies in different EU countries propose a merger, a good deal of paperwork, confusion and time wasting can lie ahead as lawyers seek to clear the deal with all relevant competition authorities.

Procedures are far from uniform. Luxembourg, Finland, and Denmark have no national competition authority; in France, Spain and the UK, notification is not obligatory. Turnover thresholds triggering a notification vary across the Union from less than Ecu500,000 (£412,337) for individual company turnover, to ...600 ...

... not only more efficient, but legally more certain, argue officials. Under existing rules, mergers are referred to the EU's competition authorities only if the combined global turnover of the companies involved is more than Ecu5bn and at least two of the merging companies have a combined turnover of more than Ecu250m inside the EU.

A green paper unveiled by Mr Karel Van Miert, the competition commissioner, yesterday proposed a reduction in these thresholds to Ecu2bn and Ecu100m, bringing more mergers under the remit of the Commission.

Mr Van Miert realises that such stark reductions in thresholds may be too much to swallow for some member states which are proud of their traditions of domestic competition. So he has also prepared a fall-back position.

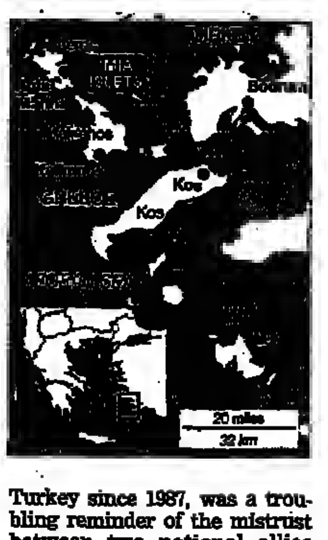
Brussels would take control of those mergers which fall between the old and the new thresholds and which have to be notified to more than one national competition authority – a more messy option, according to lawyers, because a case that has to be notified in one member state, may not qualify in another.

The Commission's proposals are not solely motivated by the need for efficiency. It is also concerned that certain sectors consistently fall outside the scope of EU merger rules, even though cross-border deals have an impact on the single market. "A number of mergers particularly in publishing and chemicals, do not reach the thresholds, but are very significant at a community level," said Mr Van Miert.

A third proposal attempts to speed up the time it takes to clear joint ventures. These are not covered by the merger rules which set precise deadlines. Instead, joint ventures fall under general competition rules with no deadlines. One option floated is to apply the merger rules to certain types of joint ventures.

Clinton peace envoy turns to Aegean

By Kerin Hope in Athens, John Barham in Ankara and agencies



Mr Richard Holbrooke, the US envoy to the Balkans, yesterday announced a new diplomatic initiative to defuse Turkish-Greek tensions and avoid the recurrence of armed standoffs in the Aegean.

The latest shows of force eased yesterday, to the relief of Nato governments, as warships from Greece and Turkey withdrew from the disputed Imia islets under strong pressure from President Bill Clinton.

But Mr Holbrooke, reflecting profound US concern over the crisis, said he would turn his attention to the Aegean next month instead of embarking on a previously planned effort to solve the Cyprus problem.

Turkey is "the new frontline state of Nato (and) you cannot have the southern flank of Nato in constant tensions", he said.

This week's three-day crisis, the worst between Greece and Turkey since 1987, was a troubling reminder of the mistrust between two notional allies whose representatives at Nato headquarters in Brussels are barely on speaking terms.

The shows of force also highlighted the stridently nationalist climate of domestic opinion with which governments in both Athens and Ankara are obliged to contend – whether they actively cultivate the sentiment or try to calm it down. The White House said President Clinton was "satisfied that his telephone calls had an impact (which) was very shortly seen in the agreement that was reached".

Turkey's government and media declared victory after Greece removed its troops and flag from the barren four-hectare rock. Mrs Tansu Çiller, the caretaker prima minister, appeared to have enhanced her own position during Turkey's post-election political impasse.

"I promised the Turkish peopla that Turkey does not have even one single stone to give," she said.

"I promised that [Greek] soldiers would go, that [their] flag will go. As of today [their] flag has gone and the soldiers have gone," she added.

Her stance received strong backing from the Turkish press, which had played a significant part in arousing public opinion over the issue in the first place.

The Interstar TV channel covered the withdrawal of Turkish troops from one of the disputed islands with Ottoman military music playing in the background, and a subtitle stating "victory returns".

However, Mr Necmettin Erbakan, the leader of the Islamist Welfara party, denounced Mrs Çiller for having compromised under western pressure.

"Why are we taking our own flag down and withdrawing from our own soil?" Mr Erbakan demanded to know.

Greece's new prime minister, Mr Costas Simitis, faced an even broader barrage of domestic criticism for having swallowed his pride and backed down from a pledge made on Tuesday that the flag would remain in place.

Opposition conservatives walked out of the Greek parliament, and even leftwing newspapers which support the Socialists criticised the new government.

This week's confrontation was particularly dangerous because both countries are in a state of political transition. Mr Simitis, in his first test after being sworn in earlier this month, has had to fend off charges of betrayal. By contrast, Mrs Çiller appears to have been strengthened by playing to nationalists.

Athens moved last year to assert its sovereignty in the Aegean, planting flags on uninhabited Greek islands off the Turkish coast and promoting a plan for settlers to move to Greek islands deserted in recent years.

The latest conflict began last week when it emerged that in December, the captain of a Turkish ship that ran aground on the islet had refused assistance from a Greek tug, on the grounds that the territory belonged to Turkey.

Hürriyet, one of Turkey's best-selling nawspapers, had escalated the crisis on Sunday when it sent a group of reporters to one of the disputed islets to replace a Greek flag with a Turkish one.

A leftwing lawyer ets Polish verdict

nthony Robinson

The emergence of Mr Wlodzimierz Cimoszewicz as the most likely successor to the disgraced Mr Jozef Oleksy as prime minister of Poland's leftwing coalition government could be the first step towards healing the political wounds reopened by the recent presidential election campaign and the forced resignation of Mr Oleksy.

The 45-year-old lawyer comes from the ranks of former communists who turned over a new political leaf when the communist party disbanded after its humiliating moral defeat in the semi-free elections of autumn 1989.

But, while most other former communist supporters joined the Social Democratic party led by Mr Alexander Kwasniewski when it was formed in 1990, he remained outside it.

This unwillingness to join the main successor party to the Polish United Workers' party – the full name of the old communist party – while remaining on the left of the historical dividing line of Polish politics, reflects his determination to maintain a degree of political independence.

This distance from the mainstream post-communist party makes him more acceptable to the Peasant party (PSL), the junior coalition member, which had earlier proposed one of its own candidates as prime minister. But in practice the PSL, a single issue party which serves the interests of farmers, is more interested in retaining power than retaining tha premiership.

The PSL's grudging acceptance of Mr Cimoszewicz as prime minister is likely to be paid for by concessions in other areas. It wants more inflnence over key ministries snch as privatisation, currently held by Mr Wieslaw Kaczmarek, a strongly pro-privatisation SLD member.

Mr Cimoszewicz could also be more acceptable to those within the opposition Freedom Union, the former Solidarity party, who argue that Poland needs a political realignment to replace historical divisions with new alliances based on common interests.

In key areas such as European Union and Neto membership, privatisation and free trade, the reform wing of the SLD has more in common with the free-market wing of the Freedom Union than with the protectionist and xenopbobic Peasant party. If be manages to win sufficient support from the current coalition to win a vote of confidence within the next 14 days, Mr Cimoszewicz could cautiously move towards a Polish-style "historic compromise".

In 1990, when the memory of communist rule was still fresh and leftwing prestige et a low ebb, Mr Cimoszewicz stood as the leftwing presidential candidate, but it was e quixotic gesture. He was eclipsed in the first round by an obscure Canadian-Polish businessman called Stan Tyminski.

However, he became minister of justice when the former communists returned to power in September 1993 and then deputy speaker of parliament after the reshuffle on March 1995 which gave Mr Oleksy the premiership.

Cimoszewicz: A leftwinger known for his independent views

Chirac takes his security ideas to US

By David Buchan in Paris and Bruce Clark in London

President Jacques Chirac will today put to the US government his hopes for a reformed Nato that would vindicate France's decision to move closer to the alliance after three decades of estrangement.

Struggling to rehabilitate his international image after a controversial series of nuclear tests in the Pacific, Mr Chirac, will be laying out France's new ideas on European security at the White House and the US Congress.

So far, France's dramatic two-month-old promise to reintegrate partially with Nato has only had limited practical consequences – an upgraded French presence in certain alliance committees and institutions.

But as Mr Chirac will tell his US hosts, these moves reflect a significant change in French thinking: an admission that for the foreseeable future, the Atlantic alliance will be Europe's main defence club.

"France has understood that Nato is the primary security organisation in Europe," said Mr Philip Gordon, a fellow of the International Institute for Strategic Studies.

French officials are acknowledging that efforts to build up an independent European defence capacity, starting with the Strasbourg-based Eurocorps, have proved mnch harder and more time-consuming than hoped. "The European [defence] pillar will be in Nato," one said.

This means thet Paris will soft-pedal on its earlier ambitions to upgrade the 10-nation Western European Union into an organisation which could eventually supersede the Atlantic alliance.

French officials retain their belief that the US engagement is fragile and should not be relied on for ever. But they are more willing than before to accept the argument that Europe should take as much US help as it can get.

Observers say this change of stance will be easier for France's political class to accept if President Chirac can demonstrate that Nato itself is evolving in acceptable ways.

Despite the fanfare over the French policy change in Brussels last December, France remains outside the alliance's military structure – nor will it find it palatable to rejoin as long as the structure is overwhelmingly dominated by US officers.

US defence chiefs, for their part, remain cautious about committing armour and electronics to Europe unless they can determine how they will be used.

In the short term, Presidents Chirac and Bill Clinton will be trying to resolve a two-year deadlock over the terms on which European-only military missions might borrow Nato assets, which are mainly American.

The French president will also flesh out a proposal for e political dialogue within Nato on nuclear arms. Officials in Paris say this idea should not be interpreted as a move to give French nuclear weapons e pan-European role.

"The European deterrent is not for now," said one official. "We must build the walls [of European defence] first, and then perhaps add a nnclear umbrella."

Editorial comment, Page 21

Russian raises doubt on Start 2

By Chrystia Freeland in Moscow

A senior politician warned yesterday that the Russian parliament was unlikely to ratify the Start 2 nuclear arms reduction treaty with the US before the presidential elections in June.

Mr Vladimir Lukin, chairman of the parliament's foreign affairs commission, said that the Communist-dominated legislature would probably block President Boris Yeltsin's promise to secure approval by mid-April.

The US Senate ratified the treaty last week, adding to the international pressure on the Kremlin to push the deal through in Russia. Over the weekend Mr Yeltsin sought to appease his foreign counterparts by promising to persuade parliament to approve Start 2 before a summit meeting on nuclear security due to be held in Moscow in mid-April. His government is presently in tricky negotiations with the International Monetary Fund for a $9bn loan.

Bot Mr Lukin, a former Russian ambassador to the US who strongly supports the agreement, warned yesterday that trying to push the agreement through a hostile legislature prematurely could backfire.

"If we are talking about April, this seems unacceptable," he said. "I would rather have this important treaty ratified after the elections than have it rejected before then."

Mr Yevgeny Primakov, the foreign minister, said yesterday he boped parliament would ratify Start 2 this spring, but added that even if the legislature endorsed the treaty it might attach new conditions. "But we hope the essence of the pact will not be subject to revisions."

Earlier this week, Communist and nationalist politicians, who are gearing up for the presidential poll scheduled to be held on June 16, raised fierce objections to Start 2 and warned they might vote against it in parliament.

Together, the Communists and ultra-nationalists could easily defeat the accord.

In an attempt to appeal to the increasingly nationalist mood of the disgruntled Russian electorate, both Communist and ultra-nationalist politicians, including Mr Gennady Zyuganov, the urbane Communist party leader, warned that Nato's plans to expand eastward could force Russia to reject the arms reduction deal in order to maintain its great power status.

Bot the US, which fears an even stronger anti-western shift in Russia after the presidantial vote, has increased political and diplomatic pressure on the Yeltsin administration to secure epproval for the treaty this spring. Some observers believe that rejection of Start 2 in Russia could also have an impact on presidential elections this year in the US because of the strong support the Clinton administration has given Mr Yeltsin from the outset.

When it was signed in 1993, Start 2 was hailed as a historic breakthrough in efforts to cut the world's nuclear arsenals. It obliges both states to cut their strategic nuclear stockpiles to between 3,000 and 3,500 weapons each, about half their present level.

EU patent licensing reform shelved

By Caroline Southey in Brussels

The European Commission yesterday bowed to industry pressure and abandoned controversial plans for a radical reform of rules governing the licensing of patents in the EU.

Following fierce opposition from European industry, Mr Karel Van Miert, commissioner for competitioo policy, was forced to drop proposals that would have barred companies with more than a 40 per cent share of a market from taking advantage of exemptions from competition rules for technology licensing agreements.

Instead the Commission limited itself to streamlining the rules governing how companies reach exclusive licensing agreements to protect their patent rights or technical know-how in technology licensing agreements.

Mr Van Miert said the thrust of the reforms was to "simplify things" by rolling together two sets of rules – those covering licensing block exemptions for patents and those covering know-how – to create a new technology transfer block exemption regulation.

EU officials said the changes would reduce regulatory costs for companies as most licence agreements contained elements of both know-how and patents.

European industry representatives welcomed tha announcement. "Everyone is pleased that the regime has been streamlined and made more user friendly. But the Commission risked undoing all the good that has baen achieved for industry by attampting to impose an unworkabla market share limit," said Mr Alec Burnside, a partner at the law firm Linklaters & Paines in Brussels.

The Commission had proposed that companies with more than 40 per cent of a market would be obliged to notify the Commission of licensing agreements.

They will not now have to do so although the Commission, if made aware, will pay special attention to agreements between companies which hold more than 40 per cent of the market. If the Commission decides an agreement has led to "complete distortion of competition", it can withdraw the benefits of the block exemption. This would involve the Commission scrutinising, and possibly prohibiting, the deal.

Mr Van Miert stressed that the question of market share would be considered as an "element in the assessment of an agreement. The fact that a company has 40 per cent market share will not in itself mean the Commission will reach a negative decision," he said.

The block exemption sets out a "white list" of provisions companies can include in their agreements without falling foul of the competition rules, and a "black list" of conditions which are not allowed. Provided an agreement contains no blacklisted conditions, a company can assume it is exempt.

The Commission's original proposal emerged because of fears block exemption had enablsd big business to monopolise the market in certain prodncts and prevented access to new technology by outsiders.

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EUROPEAN NEWS DIGEST

Bundesbank cuts repo rate

Short-term German interest rates were given a significant nudge downward yesterday when the Bundesbank's securities repurchase rate dropped 0.15 points to 3.4 per cent, its lowest level for more than eight years. The relatively steep fall in a rate which guides Germany's short-term money market rates, triggered an identical drop in the Belgian central rate to 3.4 per cent.

The repo was last set below 3.4 per cent in November 1987, when it stood at 3.25 per cent. But while yesterday's drop prompted speculation about cuts in the discount and lombard rates, the general view in Frankfurt was that today's meeting of the Bundesbank council would leave these unchanged at 3 per cent and 5 per cent respectively.

Bankers argued that the Bundesbank would want to assess the effects of its half percentage point reductions in the discount and lombard in mid-December before acting again. After relatively strong money supply growth in December, the bank was expected to wait for January's money supply data, due in the second half of February, before considering further action.

Mr Ulrich Ramm, the head of Commerzbank's economics department, pointed out that rate cuts could further unsettle long-term interest rates, which have recently moved up slightly after a protracted fall. *Peter Norman, Bonn*

Albania bar on ex-Communists

Albania's constitutional court yesterday ruled in favour of a law barring former Communists from office until 2002, dashing the hopes of leading opposition figures of running for parliament in this spring's general election. The government introduced the so-called genocide law last year to prevent officials of the former Communist regime standing for parliament or applying for jobs in the judiciary or state media until the year 2002.

The court also backed a law calling for the creation of a nine-member committee with access to former secret police files. The committee will issue certificates to politicians stating they did not collaborate with the old regime, which will then allow them to stand in elections. The court chairman said in his ruling: "It is the authors, creators and enforcers of that savage and inhuman dictatorship (Albania's four-decade Stalinist regime) that the constitutional law denounces."

The outcome has drawn an angry response from the two opposition parties, which branded the court a tool of President Sali Berisha's governing Democratic party. *Reuter, Tirana*

Hoechst pledges improvements

The German chemical group Hoechst will allocate DM150m ($100m) to upgrade its monitoring, measuring and training facilities following protests over the way it reacted to two large chemical spills at the weekend. It may also consider closing one of the plants involved. In a contrite speech aimed at trying to restore public confidence in the company, Mr Jürgen Dormann, its chairman, said there would be a thorough investigation into the accidents, why there had been no public information immediately after the leaks, and into communication problems between the company's various departments.

In the first accident, last Saturday, a lid blew off a large vacuum dryer and tore a hole in the roof of a plant in Griesheim, near Frankfurt. A ton of pesticide, containing a substance which causes cancer in rats, then spewed into tha air. However, Hoechst employees took more than an hour to notify the company's fire department. In the second accident, on Sunday, chemicals boiled over for more than three hours in a distillation machine. In that case, the department waited until Monday before telling the the company's spokesman. *Judy Dempsey, Berlin*

Berlusconi faces new charges

Anti-corruption magistrates in Milan have asked for Mr Silvio Berlusconi, the former Italian premier, to be sent for trial on e new charge of illicit financing of political parties. The request, embracing 21 people including Mr Bettino Craxi, the exiled former Socialist leader, relates to the channelling of allegedly illegal funds to politicians via the offshore subsidiaries of Mr Berlusconi's Fininvest business empire.

Tha move follows the handing over by Swiss judicial authorities last December of documents connected to Fininvest's financial transactions in Switzerland. Fininvest lawyers deny any of the funds passing through its offshore subsidiaries have been illicit.

Milan judges are considering two other requests for Mr Berlusconi to be sent for trial on charges of falsifying accounts and tax fraud. Mr Berlusconi was in court last month on charges of being involved in bribes paid to members of the Guardia di Finanza, the financial police, to ensure favourable tax inspections of Fininvest companies. *Robert Graham, Rome*

Buying back the Berlin Wall

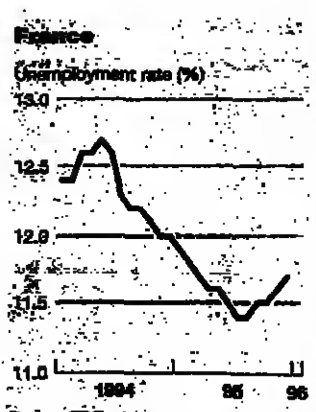
Former owners of ground occupied by the Berlin Wall will be allowed to have their property back, provided they pay a quarter of the current market value, Germany's governing coalition parties proposed yesterday. The compromise, reached after five years of wrangling between former owners and the finance ministry, could end a category of property disputes which has plagued investors in Berlin.

Those who had property along the eastern side of the Wall had not been entitled to restitution or compensation. The federal government, especially the finance ministry, had argued that since property along the Wall had been under the former east German defence authorities, these lucrative property sites should automatically pass to the federal government after reunification in 1990.

Yesterday's proposal was criticised by the opposition Social Democrats. They insist the property should be returned to its former owners immediately and without conditions, because they believe former owners are unlikely to be able to afford to buy back their property. *Judy Dempsey*

ECONOMIC WATCH

French jobless total tops 3m



Source: FT Extel

Unemployment in France broke through the politically sensitive 3m barrier in December, e further embarrassment for Mr Alain Juppé, the prime minister, whose top priority is tackling unemployment. The increase was despite government measures last year to boost employment. The seasonally adjusted figure rose by 29,000 in December to 3,019,400, a reflection of the stuttering economy, which expanded only 2.6 per cent last year. Unemployment, which started rising in August, is expected to continue deteriorating during the first half of the year. Recent estimates suggest economic growth this year might be only 1.6 per cent, against the 2.8 per cent level required to compensate for jobs lost through corporate productivity gains. The latest figures will also further undermine consumer confidence, which the government has tried to bolster this week with a cut in base rates and a 25 per cent tax deduction on loans for consumer goods for two years after purchase. *Paul Abrahams, Paris*

■ Finland's gross domestic product rose in November by 0.2 per cent month-on-month and 2.9 per cent year-on-year.

■ Austrian unemployment in January was 3.7 per cent, compared to 3.9 per cent in December

هكذا من الأصل

Civilian co-ordinator begins 'implementing' peace in Bosnia

Bildt plays midwife at rebirth of nation

By Lionel Barber in Brussels

A month after taking on one of the toughest jobs in international diplomacy, Mr Carl Bildt, the civilian co-ordinator in Bosnia, is up and running.

He has offices, phones, a team in place in Brussels and Sarajevo, and, most important, money. This is progress. In the New Year, Mr Bildt was so strapped for cash that he withdrew DM300,000 ($200,000) from a European Union account in Brussels, stuffed it in a suitcase, and spent it in Sarajevo setting up shop.

The contrast with Nato's smooth deployment of the Ifor peacekeeping force prompted US criticism that Mr Bildt had made a sluggish start. But now that the Nato-led military operation is virtually in place and the former warring parties in Bosnia are broadly complying with the provisions of the Dayton peace accords, Mr Bildt is coming into his own.

His job – reporting to nearly a dozen international agencies including the EU and the United Nations – is to "implement" the peace. He must oversee tasks such as policing, humanitarian aid, and reconstruction. Above all, he must prod Serbs, Croats and Bosnian Moslems toward rebuilding a shrunken nation ripped apart on ethnic lines in the worst war in Europe since 1945.

"The military side in Bosnia is of critical importance, but it is not decisive," said Mr Bildt during an interview this week in Brussels. "Economic development is the key to political stability."

This week, he told EU foreign ministers that the difference between success and failure in Bosnia would be clear by the end of the year. By that time, elections should have taken place and the joint political institutions should be operating independently of Ifor (which is due to withdraw after one year anyway).

Unless the joint political institutions were in place, said Mr Bildt, there was little chance of solving the country's horrendous economic problems or ending a situation where more than three in four people depended on foreign food aid.

It was a typically robust performance. A former prime minister of Sweden, Mr Bildt, 46, has a touch of youthful brashness as well as a first-class brain. These qualities have sometimes grated, notably with Mr Hans van den Broek, the EU commissioner for external political affairs, who views Bosnia as his priority.

In his interview, Mr Bildt made clear that he sees economic reconstruction driving political reconciliation. His worry is that "the wheels are turning too slowly". The World Bank, co-leader with the EU on reconstruction, is favouring projects in Bosnian Moslem territories to the exclusion of the Republika Srbska.

Bank officials argue that their work has been hampered by lack of access to the Bosnian Serb territories. But Mr Bildt says that now there is freedom of movement on the Serb side, "visible" projects are needed to encourage the forces of moderation in the autumn elections.

He believes free elections will help resolve vexed issues such as war crimes. "Radovan Karadzic [the Bosnian Serb leader] is not going to turn himself over voluntarily. You need to change the political landscape."

Mr Bildt is alert to charges that he may be tilting too far toward the Bosnian Serbs in his search for political reconciliation. Therefore, he intends to produce a far-reaching assessment of human rights at next June's international peace implementation conference under the chairmanship of Italy, which currently holds the EU presidency.

He also wants the Union – which is expected to stump up more than a quarter of the estimated Ecu4bn ($5bn) for Bosnian reconstruction – to take the lead in promoting regional co-operation between the Bosnian Federation, Croatia, Serbia, the Republika Srbska, and other former Yugoslav republics.

Once again he is walking through a political minefield: the US is adamant that assistance must be tied to human rights and retribution against war criminals. Mr van den Broek and the European Commission stress that each republic should be treated on its individual merits.

Mr Bildt is clear that much is riding on Bosnia, not just for the EU but also for the transatlantic alliance.

"This is an example of US and Europe working together. When they did not co-operate in 1993 and 1994, it had a negative impact on negotiations to end the war. When they started to sing the same song in 1995, the situation changed."

Hence his message to Washington to stay the course and not to focus solely on an "exit strategy" in a presidential election year. "We need the Americans involved, politically and economically."

Yet he agrees that the Bosnia operation has limits. "We are not going to be involved at this high level for more than a year. In the end, we have to say to the parties that it is your peace, your future. And the clock is running."

Mr Carl Bildt pictured last autumn in Sarajevo at the height of his mediation effort Reuter

Scalfaro gives party leaders time to reflect

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday delayed a decision on resolving Italy's three-week government crisis in order to give political leaders a final 24 hours of reflection.

He appeared to be hoping that sufficient consensus could be found on a formula to proceed with constitutional reforms, including reinforcing the prime minister's role.

Throughout the day there were conflicting signals on the possibility of an agreement that would require a government to last at least 18 months in order to overhaul the constitution.

Members of Forza Italia, the rightwing movement headed by former premier Silvio Berlusconi, were optimistic agreement could be reached. They also indicated their allies in the rightwing National Alliance had accepted a compromise over the new powers to be accorded the prime minister and head of state.

Mr Massimo D'Alema, leader of the Party of the Democratic Left, and the dominant figure in the centre-left coalition backing the outgoing premier, Mr Lamberto Dini, said progress had been made. But he warned that the Berlusconi camp was still divided on who should be the next prime minister and the precise nature of the reforms.

President Scalfaro yesterday wound up two days of consultations – the third round since Mr Dini was forced to resign on January 12 after he completed his limited mandate.

He has three basic paths open to him:

- to conclude that an agreement between the parties is impossible and call elections in mid-April;
- to appoint a prime minister to manage a government until June, to handle Italy's EU presidency and prepare the 1997 budget;
- to ask someone to consider heading a government to draw up institutional reforms and manage the economy with a view to elections in mid-1997.

The president is extremely reluctant to dissolve parliament and most political leaders are anxious to avoid elections this year. This may prompt him to ask Mr Dini or a prominent political figure such as Mr Giuliano Amato, a former premier, or Mr Carlo Scognamiglio, the Senate speaker, to explore further the chances of forming a more lasting government.

Cautious political commentators pointed out that negotiations have proved so tortuous over the past 20 days that any deal risks coming undone quickly. This in the end may force President Scalfaro to conclude the best solution is to opt for a June election.

Clamour to start at bottom of EU

By Hugh Carnegy in Stockholm

Indignation over revelations that a European Union official in Helsinki was paid more than the prime minister has prompted Finland to question the level of EU salaries with its Union partners.

Finland's finance ministry said yesterday it wanted a discussion about the pay and allowances for EU employees when talks begin this month on the Union's 1997 budget.

"Our idea is not as such to bring about lower pay," said Mr Vesa Rantala, the finance ministry official charged with investigating the issue. "Our basic concern, like other countries, is to achieve maximum cost efficiency in the EU. But it might in the longer term mean that these (EU) pay levels will adjust more in line with national pay levels."

Mr Rantala said his department's research showed that EU officials received two to three times more in net remuneration than their Finnish counterparts.

The Finns are set to receive enthusiastic backing from the neighbouring Sweden. The issue is a potent weapon for the anti-EU camp in the two new EU members, especially in Sweden, where opinion polls show a majority of the electorate hostile to membership.

The fierce debate erupted when it emerged recently that a Finnish journalist hired to be the information officer at the EU delegation office in Helsinki was paid some $3,000 per month more after tax than Prime Minister Paavo Lipponen.

Mr Iiro Viinanen, then the finance minister, denounced the difference as unacceptable. Mr Viinanen later resigned after five years as finance minister to join the private sector as chief executive of the insurance group Pohjola.

According to the Finnish media, EU salaries are so attractive that 700 Finns applied recently for a caretaker vacancy advertised by the EU.

Denmark urged to tackle Commission over feta decision

By Hilary Barnes in Copenhagen

A European Commission proposal to stop Denmark selling soft white cheese as feta would be "bound to have an influence" on prices in the dairy sector throughout Europe, according to the Danish dairy industry.

The Commission proposal that feta be defined exclusively as sheep's milk cheese made in Greece would force the Danish industry to dump cheese it currently exports as feta on to the European market, said Mr Hans Arne Christiansen, an official of the country's Dairy Board.

If the EU commission proposal was implemented, these EU export subsidies for Danish feta would cease. Mr Christiansen said the consequent rise in the price in Iran, Saudi Arabia and other Middle Eastern countries would cause the Danish market for feta to collapse.

"We would have to find an alternative market for the product more or less overnight. It would be bound to have an influence on the price level throughout Europe," he said.

Denmark is responsible for about six per cent of European Union cheese production – it made about 290,000 tonnes last year of which about 260,000 tonnes a year was exported. About a quarter of Denmark's output – about 74,000 tonnes – was feta, almost all of which was exported. Nearly half of Denmark's exports, including about 65,000 tonnes of feta, is exported to non-EU countries, with the support of substantial EU export subsidies.

Commission officials argue that the Danes can still export their feta under another name.

But the Danes say there is a second EU threat to their feta exports – the commission has proposed, under food additive rules, to ban the use of a bleaching agent, Patent Blue, with effect from July 1. Without this agent, Danish cow's milk feta will be yellow, instead of white, the natural colour of Greek feta.

The Dairy Board doubts whether consumers would buy yellow feta, sold under a new name as readily. The industry is in talks with the commission to find a solution. Danish feta production has fallen from a peak level of about 120,000 tonnes a year as export markets – notably Iran – have weakened.

Producers have diversified into other milk products without upsetting the European market, but Mr Christiansen said this happened over several years and could not be compared with the problems that an overnight stop to exports of large quantities of feta outside the EU would cause.

The Dairy Board is urging the Danish government to take legal action to stop the Commission implementing its decision, or to have the decision declared null and void, on the grounds that the decision is in conflict with the 1992 Council resolution laying down European law on geographic name protection.

Global fund managers make tracks for Africa

The 'final frontier' of the world's emerging markets is producing dramatic returns, writes Jeffrey Gettleman

Ms Marianne Hay is so bullish about Africa that she has invested a third of her personal savings in African markets.

"The region has just finished making the necessary changes that other emerging markets underwent years ago," said Ms Hay, manager of the $250m Morgan Stanley Africa Investment Fund, the largest specialist fund on the continent.

Africa, usually associated with debt, disease and disaster, is now earning itself a name for healthy returns for foreign investors. Over the past 12 months, investors in the continent's emerging markets have seen their outlays grow by 40 per cent.

Africa is considered the final frontier of the world's emerging markets. In 1993, only 4 per cent of emerging market portfolios flowed to the region. But after South Africa's transition to democracy in April 1994, and a wave of market reforms in many neighbouring countries, Africa's investment climate is becoming much more hospitable.

Today fund managers, eager to diversify their portfolios and aware of the shrinking gains from more mature emerging markets, are attracted to Africa. More money flowing to the region has increased activity on the region's bourses and improved local business practices. "The presence of Africa funds means big chunks of money are out there which provide incentives for privatisation and put pressure on governments to improve their policies," said Mr Kader Allaoua, senior economist at the International Finance Corporation in Washington, the private sector arm of the World Bank.

Within the past two years, 12 institutions have formed Africa funds worth nearly $1bn. Last November, Baring Asset Management, Framlington and GT Management all launched funds in London. Most of the funds are close-ended, listed on stock exchanges in London and New York and aimed at large institutions which can bear the high risk usually associated with emerging markets. However, a few of the unlisted funds, such as the $9m Credit Suisse South Africa Fund, offer individuals a chance to invest as little as $1,600.

On average Pan Africa funds have at least 30 per cent of their investments in markets outside of South Africa and a number of funds such as the $40m Framlington West Africa Growth Fund have been launched to invest exclusively in the region's smaller markets.

According to Mr Miles Morland of Blakeney Management which specialises in research on Africa and the Middle East, the first wave of Africa funds created in early 1994 concentrated heavily on South Africa. But this had changed recently and the split was now 65/35 in favour of other African markets.

He believes South Africa's share will continue to decline over the next two years as interest in other African markets continues to grow.

While many of the world's emerging markets were still queasy in 1995 from the so-called tequilo effect of Mexico's financial crisis in December 1994, fund managers point out that African markets surged, with gains exceeding 100 per cent in dollar terms in Nigeria and Ivory Coast.

Until recently, the majority of Africa's 16 stock markets were closed to foreigners, while many of the largest companies were government-controlled. But at the same time as foreign investment restrictions were abolished over the last three years, hundreds of state-owned enterprises were privatised. That allowed foreign investors to snap up stakes in African companies at attractive prices.

This year will be another big year for new issues: Kenya Airways, the largest airline in East Africa, is scheduled to have a public listing in April following a deal signed with KLM last week; and Zambia Consolidated Copper Mines, one of the world's largest copper producers, is intended to be privatised later in the year.

"African governments are beginning to realise that equity can be a great way to raise money," said Mr John Niepold, manager of the Washington-based $65m Africa Emerging Market Fund. "The region is finally starting to follow the rest of the world, and investment attitudes are changing."

Fund managers like Mr Niepold are not only banking on this change, they are helping ensure that it happens. The absence of custody used to be the biggest impediment for foreign investment in Africa: the Securities and Exchange Commission requires managers of US-registered funds to use custodial banks like State Street of Boston to safe-keep certificates of ownership for overseas equity settlements.

"We've pushed custodial banks very hard, and because of us, there's now custody in all African markets," said Mr Niepold. Africa funds have also helped improve liquidity in markets attractive to fund managers such as Botswana, Ivory Coast, Mauritius and Zimbabwe. In Harare the volume of trading has increased by 400 per cent since the bourse opened to foreigners in June 1993. Today Africa funds account for 60 per cent of the $63m of net foreign investment, according to information from consultancy Fund Research and the Zimbabwe stock exchange. "Because they don't hold on to stocks as long as locals, fund managers are making this market much more liquid," said Mr Savvas Kyriakides, a Harare stockbroker.

The presence of foreign funds is reinvigorating not only African finance but also African business. "Fund managers demand up-to-date, accurate corporate reporting and as a result, disclosure has been rapidly improving," said Christopher Hartland-Peel, a London-based specialist on African markets.

Local brokers, who previously provided little or no market analysis, are also reforming the way they do business, said Mr Kofi Bucknor, executive director for Africa at Lehman Brothers, the US investment bank. "African brokers are becoming a much more professional community, providing us with useful research," he said.

The impact of Africa funds is not limited to the private sector: government macroeconomic policy in Africa seems to be yielding to the influence of foreign investment.

"The presence of Africa funds is helping increase the pressure on African governments to produce sound economic policies," said Mr Kader Allaoua, an IFC economist. However, volatile exchange rates and rising inflation remain concerns.

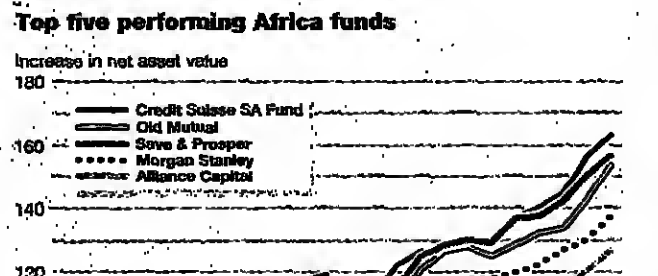
Foreign funds of $1bn cannot be expected to cure Africa's financial ills, and reform must continue, said Mr Michael Power, Barings' global strategist. "Political instability, exchange rates and illiquid markets are still big risks for foreigners," he says.

Zimpapers, Zimbabwe's national newspaper publisher, is an example of that illiquidity. Its value increased by 141 per cent in 1995. Because of the lack of share activity, however, an investor would be unlikely to be able to purchase more than 200,000 shares, worth less than $100,000, without driving the price up. And then he might well be unable to sell the shares for months, according one local broker.

"The pickings are lean," said Dr Mark Mobius, who manages $7bn of worldwide funds for Templeton, and recently returned from a bargain-hunting trip to the continent. "But all the signs of reform have been encouraging, and now's a good time to look for deals in African markets."

Mr William Murungu, of Discount Securities in Nairobi, agrees. "If foreigners come today, I can't see them making losses here."

Top five performing Africa funds



Source: FT Extel

IMF deal closer as Kenya acts on port corruption

By Michael Holman, Africa Editor

Prospects for an end to the three-year stalemate in relations between Kenya and the International Monetary Fund rose yesterday with the appointment of a respected businessman as chairman of the troubled Kenya Ports Authority.

The government's failure to tackle corruption at the port has been one of the obstacles to agreement on a $200m IMF enhanced structural adjustment facility for Kenya.

The choice of Mr Robert Breneissen, a former managing director of the Bamburi Portland Cement Company, was seen as further evidence that the government has taken seriously widespread complaints about mismanagement at Mombasa's port.

The authorities recently forced the port's managing director and 17 senior civil servants to go on leave to permit investigations of corruption.

The investigation was prompted by the disappearance of more than 1,200 vehicles impounded by Customs prior to a public auction, and estimated to have cost Kenya Ks7.5bn ($130m) last year.

Although the chief executive of the Ports Authority is the managing director, Mr Breneissen could nevertheless wield considerable power, having been appointed by President Daniel arap Moi.

Other issues, including the IMF's concern at levels of state spending and the need to increase government revenue, are thought to have been brought close to resolution following nearly two weeks of talks with a visiting IMF team.

The Kenyan cabinet is expected to discuss IMF proposals in the next few days, and an official announcement on the outcome could be issued by mid-February, say officials.

If agreement is reached with the Fund, the World Bank will release more assistance, and leading bilateral donors, including Britain, are expected to resume programme aid.

Opposition politicians remain sceptical about government intentions, doubting that the latest anti-corruption measures will be followed through.

Mombasa is the largest port on the Indian Ocean's African coast north of Durban, South Africa, and serves Uganda, Tanzania, Burundi, Rwanda and north-eastern Zaire.

Port users complain not only of corruption, but delays in loading or unloading ships and in clearing goods through customs. Users outside Kenya have threatened to switch to Dar es Salaam in Tanzania.

Local port users welcomed Mr Breneissen's appointment and hoped it would lead to increased efficiency.

"Congestion has been the main problem at the port and when you have that, people are going to seek favours and corruption is a favour," said Mr Gershon Konditi, deputy executive director of the Federation of Kenya Employers.

INTERNATIONAL NEWS DIGEST

Lebanon tries to curb deficit

The Lebanese parliament yesterday approved a L£6,450bn ($4.15bn) 1996 budget after a stormy five-day debate in which deputies heavily criticised the government of Prime Minister Rafik al-Hariri, above. Two ministers walked out in anger on the final day and a prominent opposition deputy wrote out his resignation, handed it to the Speaker and stormed out as accusations flew across the chamber and tempers frayed.

The government described the 1996 budget as a serious attempt to reduce spending, curb the ballooning public debt and put public finances in order. It sets 1996 income at L£4,022bn, 28 per cent up on 1995, and expenditure at 15 per cent above last year's figure.

The budget includes a 38 per cent deficit of income against expenditure compared with a planned 44 per cent shortfall last year, which the government exceeded.

Deputies called the plan optimistic and doubted that the government could hold the deficit to 38 per cent. According to financial sources the final 1995 deficit was around 47 per cent.

The 1994 deficit reached 57 per cent after parliament approved 43 per cent. Some economists have expressed concern about inflation and currency stability if heavy deficits continue. *Reuter, Beirut*

Tajik rebels launch big attack

Rebels in Tajikstan supporting an Islamic opposition launched a large-scale attack yesterday against government troops, the defence ministry said. The attack in the former Soviet republic took place as talks were under way between the Tajik government and opposition to end their bloody conflict.

The rebels, supporters of Moslem and democratic groups, were defeated in a vicious 1992 civil war and many fled south to neighbouring Afghanistan. They now wage cross-border raids aimed at destabilising the government of President Emomali Rakhmonov. Mr Rakhmonov is backed by Moscow and propped up by thousands of Russian troops stationed along the border with Afghanistan.

In Moscow, President Boris Yeltsin said that Russian soldiers would not engage in combat operations in Tajikistan. He said they would help guard military facilities and the border. Mr Yeltsin claimed to be responding to reports that visits to Tajikistan over the weekend by his defence minister, foreign minister and top security officials indicated Russian forces were preparing for "large-scale" combat in the Central Asian republic. *AP, Dushanbe*

NEWS: THE AMERICAS

Battered Democrats win Oregon

By Jurek Martin in Washington

Oregon is to have its first Democratic US senator in 29 years with the election of Congressman Ron Wyden to fill the remaining years in the term of Senator Bob Packwood.

Mr Wyden, a 15-year member of the House of Representatives, narrowly beat Mr Gordon Smith, a conservative agribusinessman and Republican state senator, by 48-47 per cent, with four minor candidates splitting the remainder of the vote.

His victory, announced on Tuesday, is vital for a battered Democratic party as a launching pad for the national congressional campaigns later this year. It reduces the Republican majority in the Senate to 53-47. It also gives Democrats added hopes of capturing in November the second Oregon seat now held by Mr Mark Hatfield, who has announced his retirement. Mr Packwood was forced to resign last year over charges of sexual harassment and had nearly four years to run.

The contest was the first congressional election ever conducted by postal ballot, held over a three-week period, and it won a turn-out of about two-thirds of registered voters, very high by recent US standards. This helped Mr Wyden, because registered Democrats outnumber Republicans in Oregon by 45-38 per cent. But the other central factor in his success appears to have been that over the last three weeks he dropped much of the negative advertising that had marked the beginning of both campaigns, appealing to many voters fed up with a steady barrage of "slash and burn" radio and TV commercials.

Democrat Ron Wyden celebrates his narrow victory in his election to the US Senate in Oregon with his wife yesterday AP

Mr Wyden said afterwards that his state had sent out a national message that the Republican agenda in Congress was too extreme for most tastes. But whereas he had begun by painting Mr Smith as a clone of Mr Newt Gingrich, the House speaker, he increasingly emphasised the positive aspects of traditional Democratic policies on health, education and the environment.

His victory will come as assurance to President Bill Clinton, who carried Oregon by nine points in 1992. But the president said yesterday he did not intend to align his own re-election campaign too closely with those of his party's congressional candidates. He thought an appeal to the country based on party loyalty alone "would probably be self-defeating." That implies recognition of the fact that presidential coat-tails have been short or non-existent in most recent elections, with Americans quite possibly preferring a president of one party and a congress controlled by the other.

But congressional Democrats must take heart from Mr Wyden's victory, wafer-thin though it was. It builds on the slim evidence of last November's local elections in Virginia, Maine and Kentucky of a Republican tide on the ebb after the 1994 mid-term landslide and subsequently in several defections of conservative Democrats in Congress.

The recapture of the Senate, however, remains a long shot in spite of a recent spate of Republican retirements, including Senators Hatfield, William Cohen of Maine and Nancy Kassebaum of Kansas. Some surveys suggest the better Democratic chance may lie in the House.

Fresh bands fail to push Brazil currency lower

By Jonathan Wheatley in São Paulo

The Brazilian Real held steady yesterday after the central bank paved the way for a possible greater depreciation of the currency.

The bank announced late on Monday a 7 per cent adjustment in the band in which the currency is allowed to trade against the US dollar. But in a series of currency auctions the bank held yesterday morning, the dollar remained unchanged against the Real from Tuesday's close of R$0.978.

"The market has reacted very nicely," said the head of currency trading at a Brazilian bank. "There were some speculative attempts to test the central bank in early trading, but it acted quickly and markets are calm."

As the dollar moved towards the ceiling of the old band over recent weeks, speculation grew on financial markets that a change was coming. Mr Gustavo Franco, the central bank's director of international operations, said the bank decided to alter the band before speculation over an impending change unsettled currency markets.

He described the move as a continuation of existing policy. The bank has announced three alterations to its exchange rate bands since the Real was introduced in July 1994. After its introduction, the Real was trading at R$0.86 against the dollar.

"Whether or not the Real passes through the psychological barrier of parity with the dollar depends on market forces," Mr Franco said. "The central bank only determines the upper and lower limits." Nevertheless, Mr Franco conceded that the central bank monitors and regulates movements in exchange rates according to macro-economic indicators.

The central bank publishes upper and lower limits for the dollar/Real exchange rate. The new band puts the rate between R$0.97 and R$1.06 to the dollar; the previous band was R$0.91 to R$0.99.

In practice, however, the dollar trades within "minibands" established through central bank currency auctions and adjusted periodically in line with market pressures. Since the end of last week, the dollar has been trading in a miniband of R$0.978 to R$0.983.

"We have no pre-set path for the exchange rate," Mr Franco said. "The central bank looks at a series of factors, including foreign trade and the balance of payments." The strength of the Real has caused problems for exporters; last year, Brazil recorded its first trade deficit since 1980.

AMERICAN NEWS DIGEST

Venezuela may lift forex curbs

Mr Luis Matos Azócar, Venezuela's finance minister, has told Congress the government is likely to remove foreign exchange controls on current transactions in May.

The lifting of controls, considered a necessary step in reaching a standby agreement with the International Monetary Fund, had been expected in the first quarter. A liberalisation of foreign exchange restrictions on capital account transactions, also in place since June 1994, would occur gradually after May, finance ministry officials said.

Mr Matos also said the current fixed exchange rate would in May be replaced by a system in which the bolivar would float within a band established by the government. Some economists think this may increase inflationary pressures which are already strong following December's 41 per cent devaluation. January's inflation rate jumped to 13 per cent and while the government estimates this year's inflation to be 50 per cent, independent analysts say 90 per cent is more realistic.

● The government has announced the sale of its remaining 49 per cent state share in the telephone company, CANTV. An initial 35 per cent share to be sold before the end of the year aims to raise $1.6bn. *Raymond Colitt, Caracas*

US wholesale prices up 0.5%

US wholesale prices rose 0.5 per cent in December, the Labor Department said yesterday, matching November's rise as energy costs reversed declines of earlier months.

With the impact of often volatile food and energy prices removed, the closely watched core rate was much more benign, rising only 0.1 per cent following a 0.4 per cent increase in November. Energy prices were clearly the villain, jumping 3.3 per cent in December after falling for six months in a row. They fell 0.5 per cent in November. The department said the rise in energy was the largest since October 1990. Petrol prices jumped 11.8 per cent and heating oil was up 11 per cent. Food prices rose only 0.1 per cent after increasing 1.2 per cent in November. *Reuter, Washington*

Samper calls for fresh probe

Colombian president Ernesto Samper, facing mounting calls for his resignation, has called in Congress for the immediate reopening of an official inquiry into charges he accepted drug money to finance his 1994 election campaign. He said the investigation should resolve the crisis as quickly as possible. He said he would conduct his own defence, following the resignation of his lawyer. As he left Congress Senator Maria Izquierdo launched into a description of how she had collected over $30,000 in cash from the campaign treasurer's house on Mr Samper's instructions, in the presence of a Cali cartel intermediary. *Sarita Kendall, Bogotá*

Arch foes join hands in $1bn camera launch

Kodak and Fuji seek to revive family market

By Christopher Parkes in Los Angeles and Michiyo Nakamoto in Tokyo

Eastman Kodak of the US has linked with arch foe Fuji Photo Film of Japan to launch the consumer photography industry's latest attempt to revive the slow-growing family snapshot market.

The 'advanced photographic system' (APS) combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

The venture represents a gamble – unofficially ticketed at more than $1bn – that the world brand leaders in the family camera business can persuade consumers to trade up and reduce the price-depressing influence of unbranded commodity film and camera makers.

In addition to Kodak and Fuji, the project inclndes Nikon, Minolta, and Canon.

Despite their collaboration on the project, Kodak has waged a campaign for US trade action against anti-competitive measures allegedly used by Fuji to dominate its domestic market for film. Fuji has vigorously denied Kodak's allegations.

Fuji said that joint development of the new technology over the past five years, was restricted to agreeing on a single APS format.

Joint work involved mainly technical staff, so while there may have been "emotional problems" stemming from Kodak's accusations against Fuji, co-operation on the APS was of a limited nature and largely unaffected by the trade dispute. For product development and marketing, each company is on its own, Fuji said.

The project'a membership has raised criticism in the Japanese press that it is virtually a cartel. The companies involved hold a significant share of the world film and camera markets. Fuji and Kodak together have about 80 per cent of the US and Japanese markets.

This has raised fears that the participants might choose to trim production of conventional film and cameras in order to boost support for APS.

Fuji does not deny there is a chance that 35mm will eventually disappear – Fuji would not disclose its own production schedule. But it has no plans to halt 35mm production and it believes it is unlikely that camera companies involved will stop making 35mm models.

The new cameras, laden with consumer-friendly features, are able to shoot in three picture formats. The new 24mm film will be sold in enclosed cartridges which require no threading, and can be merely dropped directly into the new cameras.

Negatives are returned after processing sealed in the cartridges, together with an "index" of easy-reference thumbnail prints ready for storage in specially designed cases.

The film surface is magnetically activated to store and deliver data – ranging from lighting conditions to date and caption information – which may be required by the processor or camera user.

Mr George Fisher, Kodak chairman, in a ceremony last night hailed the new system as a "milestone" comparable with the introduction in 1900 of the Kodak Brownie and more recent successes such as the Instamatic and colour film.

The nine new Kodak APS cameras due on sale in April will be some 20 per cent smaller and up to 20 per cent more costly than comparable 35mm equipment. A single-use, throw-away APS camera will be included in the Kodak range, but the cheapest multi-use, "conventional" camera using the new format will cost about $100.

NEWS: WORLD TRADE

Widescreens may improve outlook for TV market

By Alice Rawsthorn

Widescreen television should provide a sorely needed source of growth for the sluggish European television market this year, as sales of new PALplus standard sets take off.

The latest figures from the European Association of Consumer Electronics Manufacturers (EACEM) in Brussels suggest that 510,000 widescreen sets will ba sold in the European Union this year. This is slightly more than the 500,000 units purchased in the five years since widescreen was introduced.

EACEM expects 200,000 widescreen sets to be sold in France this year, against 110,000 in 1995. Germany will experience more rapid growth with 180,000 units sold in 1996 against 75,000 last year. Some 40,000 widescreens will be sold this year in the UK, where there is very little PALplus programming, compared with 15,000 last year.

As sales have risen, retail prices have fallen. ft is now possible to huy a basic PALplus widescreen set for under £1,000 ($1,500), only a few hundred pounds more than for expensive conventional models.

Philips, the Dutch consumer electronics company, expects to see a dramatic increase in sales as more programming comes on stream. "We saw steady sales growth in the early days of the VCR and compact disc markets," said Philips. "We think PALplus will catch on more quickly and sales will suddenly leap."

The PALplus phenomenon has stimulated the top end of the television market at a time when sales of cheaper sets are under intense pressure.

Nokia of Finland announced plans last month to cut 600 jobs in its consumer electronics division, mainly at its television plants in Turkey aod Germany. Until recently the market for widescreens, which have unusually broad screens in a cinema-style 16:9 ratio, was restricted by the dearth of PALplus programming. The PALplus standard provides higher visual and audio quality than the long-established PAL format.

The earliest widescreens did not have a PALplus facility, but those models can be converted to the new standard with the addition of a small decoding device.

Some 30,000 bours of PALplus programming, principally sport and films, will be broadcast io Europe this year, according to the Visioo 1250 research consultancy, the same amount as in the previous three years.

PolyGram in Polish TV venture

By Alice Rawsthorn

PolyGram, the world's largest record company, is launching a music cable cbannel in Poland together with Planet 24, the youth-oriented UK television company, and the owners of a Warsaw nightcluh, Ground Zero.

The new channel, Atomic TV, will be broadcast in Polisb from Warsaw and relayed on the cable television network, which covers 2m homes. It will feature videos by Polish and international acts, concerts, and youth-oriented lifestyle programming. Planet 24 staff will oversee launch of the cbannel from Warsaw, working with Atomic Entertainment, the company run by the US-born music entrepreneurs who own Ground Zero.

Atomic TV is Planet 24's first investment in a television channel outside the UK.

PolyGram will participate in the management of the channel and supply videos. Artists on its roster include U2, Tricky, Elton John and the Cranberries. The deal marks a continuation of PolyGram's strategy of investing in music television. It already co-owns the VIVA music channels in Germany and recently invested in the relauncbed MTV Asia.

Most of Poland's cable operators have agreed to carry Atomic TV as their only music channel for five years.

IT mergers reach record levels

By Alan Cana

Mergers and acquisitions reacbed record levels in the worldwide information tecbnology business last year as companies sought the size and technology to compete in global markets.

Some 2,913 deals ware tracked by Broadview Associates, a US M&A consultancy, a 57 per cent advance on the 1,861 recorded in 1994. The total value of the deals was $134hn, a 48 per cent increase on the 1994 figure of $90.5bn.

Mr Cbarles Federman, Broadview chairman, said: "This was anotber record-breaking year for M&A in the IT sector with unprecedented activity across virtually every segment of the industry."

The telecommunications sector saw the largest deals with 98 transactions worth $20.1bn in total.

They include the $3.5bn acquisition of 49.99 per cent of Belgacom, the Belgian operator hy a consortium of Ameritech, Singapore Telecom and TeleDenmark, and a $2.7bn alliance between Cable & Wireless of the UK and Veba of Germany.

The most active sector was software and services, with 356 deals valued in total at £4.4hn.

Broadview points out that the European market increasingly saw the acquisition of "national champions" by companies from abroad looking for critical mass to compete internationally.

ADP, for example, a large US computing services company specialising in payroll processing, bought GSI, its Frencb equivalent, for $460m.

Ceridian, which is second in payroll processing in the US, bought Centrefile Personnel & Payroll Services from National Westminster Bank in the UK for $52m.

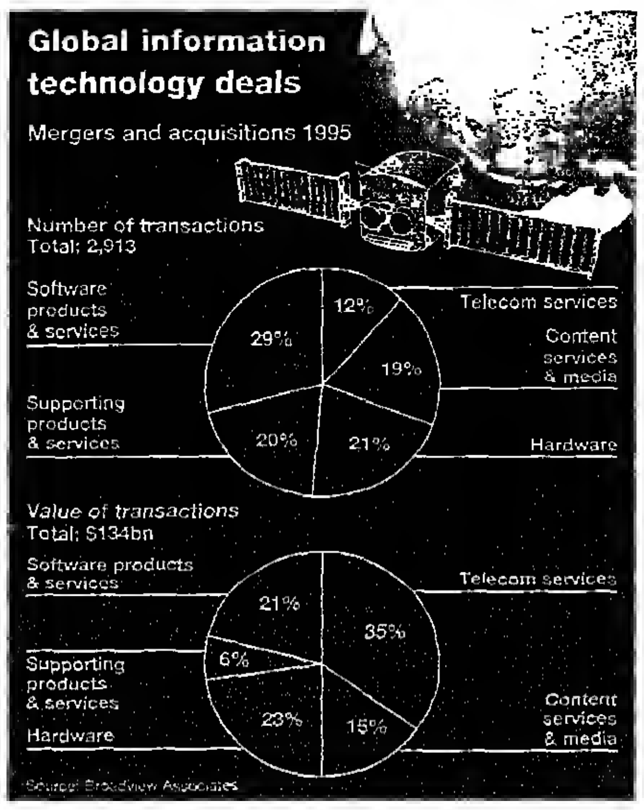
The trend generated defensive transactions. Roccade and Getronics of the Netherlands jointly acquired the Dutch payroll processing market leader Raet, while Tietotehdas of Finland merged with the Finnish government computer centre VTKK-YHTYMA in a transaction valued at $113m.

Broadview says that many acquisitions were driven by the pace of technological cbange. "Product development cycles now commonly exceed product life cycles," it says, "making it necessary to acquire new technologies to avoid missing the window of opportunity."

Companies with expertise in the Internet, the fast-growing international computer network, proved particularly attractive. Unipalm Group of the UK, for example, was acquired by the US company UUNet Technologies.

Expertise in ISDN, the transmission technology which makes possible tbe information superhighway, was also a big attraction. Broadview counted 11 European ISDN specialists acquired by US companies seeking their experience.

Seventy per cent of Europe's top 20 transactions involved a buyer from abroad; for all transactions worth more than $20m, balf the buyers were non-domestic.



Boost for rocket sector in Russia and Ukraine

The US has agreed to open further its launch market to ex-Soviet rivals

By Nancy Dunne in Washington and Matthew Kaminski in Kiev

The US has agreed to open further its satellite launch market to Russian and Ukrainian companies despite fears that state subsidies could result in unfair competition.

Hoping to find peaceful uses for old military hardware and deepen commercial ties with erstwhile cold war enemies, Washington is giving Russia and Ukraine greater access.

As the US commercial rocket industry's global market share shrinks, domestic producers are worried that subsidised state-owned competitors will underprice them.

Some companies reacted with concern in December when the US extended to Ukraine, once an important rocket producer for the Soviet Union, the right over the next five years to bid for and win up to five launch contracts to send satellites into geosynchronous earth orbit, the most frequently used orbit for commercial satellites.

The Gore-Chernomyrdin Commission this week agreed that Russian services could provide up to 15 geosynchronous launches and held out the chance of more in the next two years.

With a bloated military industrial complex, Ukraine for years had sought access to the lucrative $4bn US satellite industry. Each contract for a geosynchronous launch today runs to about $100m, although an industry analyst said China charges less than former Soviet or western companies.

The US-Ukraine agreement, permitting an additional 11 launches through joint-ventures, sets strict contract conditions, including special US consultation when a Ukrainian bid falls more than 15 per cent below the market price. Similar deals struck earlier with Russia and China are designed to manage the market and prevent underpricing.

The Virginia-based Orbital Sciences Corporation, which makes the Pegasus and Torus rockets, will not be directly affected by Ukraine's limited entry.

But Ms Elina Fuhrman, a company spokesman, said: "This sets a precedent. We want to make sure the agreement is enforced and that they offer fair market prices.

"We are more concerned about Russia's negotiations," she added, "because they could open the more protected market for low earth satellite launches that make up the bulk of Orbital's business."

But the new companies from the east first must prove they can compete. Mr Terry Edwards, manager of Intelsat launch vehicle programme, said the consortium had not yet selected Russia for the nine satellites on order and scheduled for launch over the next three to four years. Arianespace won six; in fact, the European group has been the foreign competitor particularly successful in whittling away US companies' market share.

Mr Edwards dismissed the argument that companies emerging from non-market economies were unfair competition. "Fingerpointing, such as 'you're subsidised,' is not all that useful," he said. "If defined in a certain way, most companies have been subsidised."

Ukraine's first contract came through an international joint-venture, Sea Launch, led by Boeing. In December Hughes Space and Communications, the Los Angeles satellite maker, awarded Sea Launch a contract for at least 10 sea-based launches.

NPO-Yuzhmash, formerly the biggest nuclear missile plant in the world and located in central Ukraine, will provide the Zenith rocket, which tested its first commercial satellite launch last August, according to a Ukrainian official. "The market is very favourable," he said.

Other members of Sea Launch are Kvaerner of Norway, a shipbuilding and engineering group whose facilities will be used, and the Russian space systems specialist, RSC-Energia.

Mr Mickey Kantor, the US trade representative, said such projects would generate several hundred jobs, and contribute to the conversion of idle military facilities. He said the diversification of launch services would allow the US satellite industry to maintain its world leadership.

The commercial pacts can serve a political purpose, too. A former US official said the trade representative, against some resistance from the commerce department, sought to reward Ukraine for giving up nuclear weapons, acceding to the nuclear Non-Proliferation Treaty and transferring its nuclear stockpile to Russia.

Beijing keeps tight grip on money supply

By Tony Walker in Beijing

China will continue its tight money policies in 1996 aimed at further reducing inflation, but it would also engage in selective easing of credit to profitable enterprises, a central bank official said yesterday.

Mr Ma Delun of the People's Bank of China said the country planned to reduce growth in the broader M2 money supply to 25 per cent in 1996 compared with 29.5 per cent last year. M1 growth would remain much the same as 1995 at around 18 per cent.

Although price increases had moderated in the past year, the foundation for a sustained reduction in inflation was shaky, he said. Pressure on money supply continued to be great.

China's inflation rate dropped to 14.8 per cent in 1995 compared with more than 20 per cent a year earlier. The target for this year is less than 10 per cent.

Mr Ma indicated that the banking system would continue to squeeze unprofitable enterprises by restricting credit, but efficient companies would receive assistance. "Those enterprises with large stockpiles and low profitability will feel a lack of funds," he said.

"On the other hand, enterprises with a sound performance will be assured of credit."

China would raise credit for the year to the priority areas of agriculture and infrastructure.

China's central bank has been under considerable pressure from the state sector to loosen credit to help solve a triangular debt problem – the inability of enterprises to pay each other for goods and services – which is choking many enterprises.

But fearing a resurgence of inflation, the bank has fought hard to resist such pressures aided by a new central bank law which enshrines the preservation of a stable currency and the anti-inflation fight as its main responsibilities. Mr Ma said a financial sector conference in Beijing last month had outlined four main tasks for 1996, including no let-up in the fight against inflation.

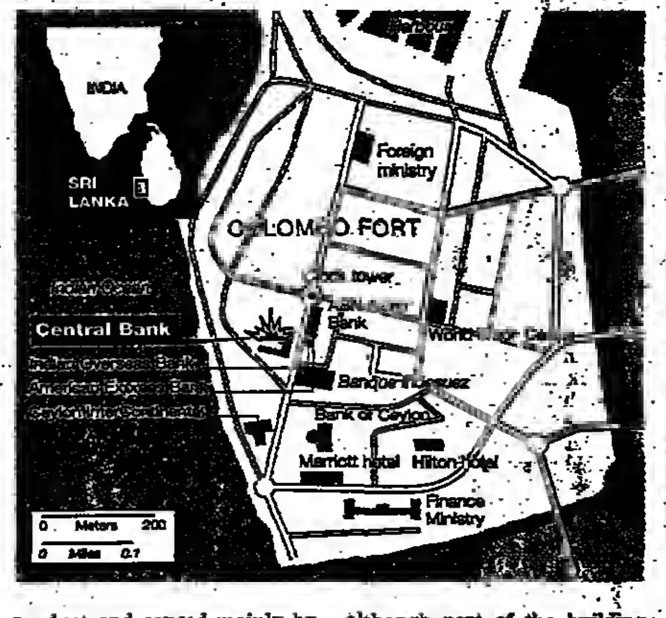
Other goals included improvements in credit management and the establishment of an interbank market; an enhancement of the central bank's prudential supervision of financial institutions; and improvements to the overall efficiency of the financial sector. Efforts would be made to liberalise further the financial sector to allow foreign banks to engage in local currency business, but no timetable for such a move had been decided.

Mr Ma cited as one of the barriers the difference in the tax rate paid by foreign banks, which operated under a low tax regime, and local institutions which were obliged to pay high rates: "Foreign banks should compete on a level playing field with local banks."

Banks and tourist hotels damaged as Tamil 'Tiger' separatists aim at heart of Sri Lanka's economy

Colombo business centre bomb kills 55

By Amal Jayasinghe in Colombo



Suspected Tamil "Tiger" guerrillas yesterday carried out their deadliest attack yet against the Sri Lankan economy by bombing the financial district of the capital, Colombo, killing at least 55 people and wounding more than 1,400 including foreign tourists.

The army blamed separatist Liberation Tigers of Tamil Eelam (LTTE) for the spectacular suicide bombing of the Central Bank of Sri Lanka building.

An attacker in an explosive-laden truck, supported by three gunmen on foot, rammed the entrance to the central bank. Two of the gunmen were arrested and the third escaped.

"This is a clear attempt to destroy the economy," a military spokesman said. "There was no military target involved and all the victims were innocent office workers."

The bombing was seen as a blow to Sri Lanka's efforts to woo tourists and much needed foreign capital. It may have damped hopes of raising $420m from the sale of state enterprises in 1996. Most of the investment had been expected from foreign companies, which local businessmen said yesterday may now be less keen.

Sri Lanka had been banking on the ambitious privatisation programme to finance a budget deficit estimated at about 10 per cent of gross domestic product and caused mainly by record defence expenditure of $760m this year.

More than a dozen buildings in the district, called Colombo Fort, were in a shambles, many of them showcase office blocks and symbols of foreign interest in the Sri Lankan economy.

The Colombo branches of the American Express Bank, ABN Amro Bank, Banque Indosuez and the Indian Overseas Bank – all located in front of the central bank building – were damaged by the blast.

Mr A S Jayewardena, central bank governor, said vital documents were still intact although part of the building collapsed. The central bank would shortly resume normal functioning with the help of commercial banks, he added.

The multi-storeyed complex of a leading private insurance company, the Ceylinco, caught fire and firemen plucked office workers from the 13th floor. The main ticket office of Air-Lanka, the national airline, was also destroyed. Two luxury hotels in the neighbourhood had their windows shattered and many foreigners were among the 1,400 people admitted to hospital.

The impressive 37-storeyed headquarters of the Bank of Ceylon, the premier state-run commercial bank, also had its glass facade shattered. More than 400 cars were gutted.

Colombo's telephone network, which will be up for sale by mid-year and is badly in need of capital to expand, seized up as worried people tried to call relatives.

The attack bore the trademark of the separatist Liberation Tigers of Tamil Eelam, which has been accused of previous kamikaze-style blasts in the capital. Last October, the LTTE shifted its attention to economic targets by bombing the main oil storage depot there, shortly after the government sold the country's gas distribution monopoly to Shell, the Anglo-Dutch oil group.

In November the LTTE carried out a suicide bombing outside the army headquarters in Colombo, killing 21 people, including an employee of a nearby tourist hotel.

Tha latest attack came despite a city-wide alert for possible LTTE attacks following the army's capture of the rebels' northern bastion of Jaffna after nearly 50 days of fighting that left an estimated 2,000 rebels and 500 government soldiers dead. The LTTE had vowed to seek revenge for the humiliating defeat.

A soldier standing guard at Sri Lanka's Central Bank yesterday AP

Groups vie for Thai bank licences

By Ted Bardacke in Bangkok

The Thai banking industry is set to face increasing competition as a host of local finance companies and foreign banks applied for new commercial banking licences yesterday.

On the domestic side at least five groups, mostly headed by non-bank finance companies, submitted applications for the first new full banking licences to be issued since 1966. Most of the groups vying for the up to five licences expected to be awarded by mid-year brought in important industrial companies as minority shareholders, a move analysts said carried both significant risks and potential rewards for the new institutions.

On the foreign side, more than 10 Asian and European banks which already operate offshore lending offices in Thailand applied to be npgraded into full branches. Between five and seven of these applicants will ba given permission to upgrade and join the 14 foreign banks who operate full branches in Thailand.

Among those applying from Europe were Dresdner Bank, Banque Nationale de Paris and ING Bank. Asian banks applying included Bank of China, Korea Exchange Bank, Development Bank of Singapore and a plethora of Japanese banks including Sumitomo, Sanwa, Dai-Ichi Kangyo, Industrial Bank of Japan and Long-term Credit Bank of Japan. No US bank applied, leaving Bank of Nova Scotia tbe only Northb American applicant.

The strong turnout by foreign banks came despite a steep $80m (£53m) initial capital requirement to open a branch, an amount at least four times higher than any other country in the region.

"Yes, it's a lot of money but if you think Thailand is going to be a big market then you have to get a full branch," said one foreign banker. He added, however, thet some applicants probably did not expect to win licences but applied anyway so as not to lose face with the Thai financial authorities.

Tha comparably lukewarm response for new domestic licences had more to do with onerous operating rules for the new institutions rather than the attractiveness of the banking sector, where both return on equity and average profit growth for the existing 15 banks average more than 25 per cent annually.

New banks must locate their headquarters outside Bangkok, have at least half their shares pubbcly held and have no cross-ownership ties with existing banks. Immediate paid-up capital is a hefty $300m and salaries for experienced bankers are already skyrocketing.

Domestic appbcants included consortlums led by General Finance & Securities, First City Investment and the telecommunications company Ucom, Sitca Investment & Securities with Thai Petrochemical Industry and Prime Finance & Securities with contractor Italian-Thai Development and property developer Quality Houses.

The leading finance companies are generally considered middle-tier companies dne to their lack of tie-ups with existing banks.

"You've got to be careful that these new banks don't become in-house lending agencies for their shareholders," said Mr George Morgan, country manager of the brokerage HG Asia.

"At the same it will help the banks to get some initial big customers."

ASIA-PACIFIC NEWS DIGEST

NZ credit rating raised

Standard & Poor's, the international credit rating agency, yesterday raised the long-term foreign currency rating of New Zealand to AA-plus from double-A, citing the country's "prudent fiscal and monetary policies" for the move. New Zealand is now just one notch below the coveted triple-A foreign currency rating which it lost in 1983.

The upgrada was welcomed in Wellington where the government was quick to point out that New Zealand now had a stronger credit rating than Australia which is rated double-A. "In the past, New Zealand has usually trailed Australia, and only rarely managed to achieve parity on credit ratings. It is a significant tribute to this country that we have now pulled ahead of them for the first time," said Mr Bill Birch, finance minister.

New Zealand is also in line for an upgrade from Moody's, the rival ratings agency which placed its double-A2 rating on review for an upgrade on January 3. *Antonia Sharpe, London*

Vietnam-China rail link agreed

China and Vietnam yesterday agreed on February 12 as the date for the restoration of the symbolic Hanoi-Beijing rail link, broken since a brief but bloody border war in 1979. Passengers will still not be able to travel between the Vietnamese and Chinese capitals without interruption because of a minor border dispute and differing Chinese and Vietnamese railway gauges. Trains from each side will have to stop a few bundred yards before the border, forcing passengers to walk a short distance over the disputed territory before boarding a train from the other side. *Jeremy Grant, Hanoi*

Australian trade deficit eased

Australia's current account deficit eased in December following a surge in rural exports. The December deficit was A$1.63bn (£800m), down almost 20 per cent on the November figure of A$1.86bn. Analysts had been predicting a deficit above A$2bn following a 5 per cent increase in imports, disclosed in mid-January. But this was more than offset by a 10 per cent rise in total exports to a record monthly level of A$6.36bn. *Bruce Jacques, Sydney*

Taiwan vice president to visit US

Mr Li Yuan-zu, Taiwanese vice president, will stop over in three US cities during visits to Haiti and El Salvador next month, a move sure to irritate rival China amid already tense relations. "Vice President Li will begin his trip on February 3 and transit in San Francisco and Miami to stay one night each," the foreign ministry said in a statement. He planned to break his return journey with a stop in Los Angeles.

A landmark private trip by Taiwan's President Lee Teng-hui to the US last June drove Beijing into a fury and has sharply soured bilateral relations since. Taiwan does not have diplomatic relations with the US. *Reuter, Taipei*

Economists blame fall on India's political turmoil

Rupee at record low to $

By Mark Nicholson in New Delhi

The Indian rupee slid to a record low of Rs36.47 to the dollar at yesteray's close in spite of intervention from the Reserve Bank of India, the central bank. Traders and economists blamed the fall largely on political uncertainty in the light of imminent elections and the country's recent political bribes scandal.

The fall was from an overnight Rs36.13, and the extent of intervention was unclear. But intervention last month contributed to a fall in RBI foreign currency reserves from $17.5bn at the end of December to $16.8bn on January 19, the latest published figures.

Economists said intervention from the bank, which has made no comment on its policy, appeared an attempt to smooth the currency's fluctuation rather than to underpin a floor in the rate.

The rupee has depreciated steadily from its previously consistent rate af Rs31.37 to the dollar since last August and, while the RBI has sporadically intervened, Indian officials last year made little secret of the fact that they did not see a rupee depreciation as undesirable, particularly in the light of the country's trade position.

Officials have pointed out that the depreciation late last year took the rupee close to its real effective exchange rate (REER) – the rate which reflects India's higher inflation relative to that of its main trading partners.

Factors depressing the rupee bave incloded fast-rising import growth outstripping export sales, a fall in foreign portfolio investment flows and, particularly in the past few weeks, the dollar's relative strength. However, bankers and economists said yesterday that the slippage above Rs36 appeared to owe more to political jitters in the market than to economic factors. Most bankers and economists reckon the rupee's REER to be closer to Rs35. "If there's been any change in recent fundamentals, it is political fundamentals," said a western economist.

Dealers in Bombay said they expected the currency's volatility to persist for the next few weeks. India's general elections are barely three months away and the political system has been thrown into turmoil by recent charges laid against three ministers, the leader of the opposition and several other politicians.

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IN BRIEF

Rhône-Poulenc in big disposal plan

Rhône-Poulenc, the French chemical group, announced disposals worth FFr10bn ($2bn) over the next two years aimed at cutting its unwieldy debt and lifting its "inadequate" profitability. Operating income fell 10 per cent, to FFr6.2bn, on sales down 1.8 per cent at FFr84.8bn. Page 16

SAP's 43% rise disappoints market
SAP, Germany's leading computer software house, announced a 43 per cent improvement in annual pre-tax profits to DM674m, but disappointed traders who had expected better. The ordinary shares slipped DM6 to DM222. Page 16

Lower tax charge aids Kimberly-Clark
The first results from Kimberly-Clark, the US tissue maker, since its $9.4bn takeover of Scott Paper, showed operating profits in the fourth quarter up only 3 per cent before special items, at $352m. However, a sharply lower tax charge left net earnings up 32 per cent at $255m. Page 18

Marlboro strength lifts Philip Morris 16.5%
Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, post a 16.5 per cent jump in net profits to $1.3bn in the fourth quarter. Page 18

Novell to sell WordPerfect for $116m
Novell, the US computer software company, has agreed to sell WordPerfect and other office application products to Corel, the Canadian graphics software company, in a deal valued at $115.9m. Novell acquired WordPerfect, a developer of word processing programs, for $1.4bn in 1994. Page 18

First Cuba venture vehicle set for launch
The first venture capital vehicle for investors in Cuba is being launched this week. Beta Gran Caribe is an investment company to be listed on the Dublin stock exchange. Page 18

Write-offs to put Hokkaido Bank in red
Hokkaido Bank, one of Japan's larger regional banks, said a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March of about Y39bn ($364m), its first for nearly 50 years. Page 19

Philippine Airlines doubles its losses
Philippine Airlines, the ailing national carrier, more than doubled its losses to 2.04bn pesos ($77.9m) during the first nine months. Page 19

Elf and Enterprise end N Sea link
One of the more complicated and unique corporate relationships in the North Sea oil industry came to an end when Elf, the French oil company, and Enterprise, the UK explorer, "reorganised" their loss-making Elf Enterprise Petroleum joint venture. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Rg	1100	+	65
Bayer	445	+	10
Degussa	549	+	14
Kaufhof	487.5	+	17
Porsche	863	+	39
Falls			
Hallig Brau	227	-	7
NEW YORK ($)			
Rises			
Alex Brown	48¼	+	2⅛
Assoc Inst Grp	39⅝	+	3⅜
Fed Express	74	+	3⅛
Falls			
Amer Financial	31⅛	-	1⅛
Helen Curtis	56⅝	-	10⅛
Time Warner	37⅛	-	2⅞
LONDON (Pence)			
Rises			
Daily Mail A	1405	+	45
Quality Seafd	388	+	34
Yorkshire Elec	719	+	35
Falls			
Br Biotech	2123	-	157
Lincat	251	-	37
Renaissance (x)	300	-	19
TORONTO (C$)			
Rises			
Ainsworth Lmb	8⅛	+	⅜
Alberta Eno	16⅛	+	1¼
Trinidad AT	10⅛	+	1½
Falls			
Gandalf Techs	16⅛	-	1⅝
Metrowerks	16⅛	-	1
West Fraser	25	-	1⅛
PARIS (FFr)			
Rises			
Air Liquide	922	+	13
BIC	570	+	27
Club Med	460	+	15.5
Geophysique	234	+	28
Falls			
Bongrain	517	-	15
Crest Lyon Cl	217	-	13.5
TOKYO (Yen)			
Rises			
Aoki Corp	339	+	25
Daimaru Inc	840	+	51
Kirin Brewery	1300	+	60
Nishi Fujikoki	491	+	26
Falls			
Meshin Oil	835	-	33
Toei	570	-	26
HONG KONG (HK$)			
Rises			
JCG Hldgs	7.35	+	0.55
Peace Mill	3.3	+	0.6
Vicon Hldgs	13.3	+	0.7
Falls			
Chaibu Hldg	2.375	-	0.17
Daido Concrte	0.94	-	0.17
Hap Hing Hd	1.28	-	0.1
BANGKOK (Baht)			
Rises			
Fin Share	180.0	+	8.0
Hemaraj L&D	145.0	+	13.0
Oriental	120.0	+	5.5
Falls			
Essex Intl	53.0	-	4.5
Kinwakl Ind	85.0	-	8.5
Thai Ins	96.5	-	10.5

New York and Toronto prices at 12.30pm.

Head of Crédit Foncier replaced

Governor of property lender refuses to resign after government appoints Suez man

By Andrew Jack in Paris

The French government yesterday announced the abrupt replacement of the head of Crédit Foncier de France, the troubled financial institution that specialises in property lending.

The council of ministers said that Mr Jérôme Meyssonnier, head of Banque La Hénin, part of the quoted Suez group, would become the new chairman or "governor" with immediate effect.

However, Mr Jean-Claude Colli, the existing governor, did not resign yesterday, in a gesture believed to reflect his frustration with the decision to remove him from office.

Crédit Foncier has a peculiar legal status as a specialised financial institution rather than a bank. It is a quoted company in which the French state has no shares, but has the power to nominate the governor and the two deputy governors.

News of the change helped lift the group's share price 4.2 per cent to close at FFr70, after it had fallen by two-thirds in the past year as its troubles mounted.

Government sources said the decision to change the governorship was not a sanction against Mr Colli, but reflected the need to put in charge someone with experience of the property market when the group was undergoing restructuring.

Last September, it reported net profits of just FFr12m for the first six months of 1995, and unveiled plans to merge with an associated company that would have recapitalised it with FFr1bn. But the plan was rejected and it negotiated an emergency line of credit from the Caisse des Dépôts, the state financial institution, this month.

Crédit Foncier was hit last autumn when the French government announced the abolition of the PAP, a low-income housing loan scheme on which it largely depended. It has also suffered as a result of the country's depressed property market, which is likely to lead to substantial new provisions in its full-year results.

Mr Colli was appointed governor in late 1994, having been a deputy governor since 1986 when he held responsibility for Foncier's loans. He spent the past few months attempting to negotiate a restructuring package to cut operating costs by 30-40 per cent over the next three years, reduce staff and find alternative types of loans into which to diversify.

Mr Meyssonnier has spent most of his working life at La Hénin, which specialises in property lending, and which itself has cleaned up its portfolio during the past few months. It reported profits of FFr12m for the first half of 1995, and had assets of FFr46bn in 1994.

Ford slide eased by financial services

By Richard Waters in New York

Ford Motor warned yesterday that the cost of launching models in the US and Europe would lead to weaker earnings in the first six months of 1996, as it reported that its core automotive operations had barely managed to break even in the final three months of last year.

Mr Alex Trotman, chairman of the US's second biggest automotive manufacturer, said profits would continue to be held back in the coming months by the launch of models which accounts for about 35 per cent of Ford's vehicle sales. He predicted that earnings would begin to pick up in the second half of the year, confirming expectations that the company would report lower year-on-year profits in the next two quarters.

Overall, thanks to record earnings from its financial services businesses, Ford's after-tax profits in 1995 reached $4.1bn, down only 22 per cent from the year before.

About $2.1bn of the group's post-tax earnings came from financial businesses which range from car leasing to consumer lending. That made Ford's financial arm among the most profitable in the US, topping the 1995 earnings of American Express and Merrill Lynch.

Ford is reviewing whether to dispose of its financial businesses other than those involved in vehicle financing. Of these, The Associates, a consumer finance business, earned net income of $708m last year, and USL Capital, a leasing operation, made $135m.

In the final quarter, Ford reported net income of $660m, or 49 cents a share, compared with $1.6bn, or $1.47, the year before. All but $16m of this came from its financial services operations.

Its US automotive operations recorded quarterly profits of $168m, down from $745m a year before, while its international businesses lost $152m, compared with profits of $374m.

Besides the costs associated with new models, the results reflected tough trading conditions in the US and Europe, adverse foreign currency shifts and losses in Mexico and Brazil.

Like its rivals, Ford's earnings were hit by plummeting US car demand. Last year, it sold nearly 1.8m cars, 13 per cent fewer than 1994, while light truck sales rose 2 per cent to 2.2m.

Agnelli warning, Page 16; GM rediscovers brand, Page 18

Hanson parries catcalls at rowdy meeting

By Clay Harris in London

Lord Hanson had his next-to-last hurrah yesterday, and for a while it looked as if he might welcome an earlier retirement.

On the London stock market, Hanson's shares fell 8¾p to 202¾p as doubts emerged about the industrial conglomerate's plan, announced on Tuesday, to split itself into four parts.

Elsewhere in London, the chairman had enough trouble keeping order at a rowdy annual meeting disrupted by hecklers.

On the demerger, Lord Hanson told shareholders: "I can't elaborate on detail and actually there's much more work ahead which may take up to a year to complete."

Of press coverage, he said: "I'm not sure I like my description as a dinosaur, but then I thought *Jurassic Park* was a smash hit and that starred dinosaurs, and we certainly have a smash hit on our hands."

What he had on his hands, without doubt, was a flood of interruptions. Lord Hanson, who plans to retire next year, parried catcalls with the flair of a 74-year-old trouper, tersely and without ambiguity. Some shareholders among the 2,000 at the meeting lent him support with a slow handclap for untimely interventions and shouts of "throw him out!" It came to that for one of them, hauled out by security men soon after he yelled "don't import your violence from the states to this country".

He introduced Roger Moore, who stars in Hanson's new ad, a 007 spoof. The actor quipped: "Can I ask a question?"

Question time, when it came, was heavily scripted. The company chose questions from those sent in by shareholders and selected the people to pose them. Lord Hanson read his prepared answers from an autocue.

Defending the company's £100,000 annual contribution to the Conservative party, Lord Hanson said: "Whoever wins the next election, Conservative principles must be kept alive."

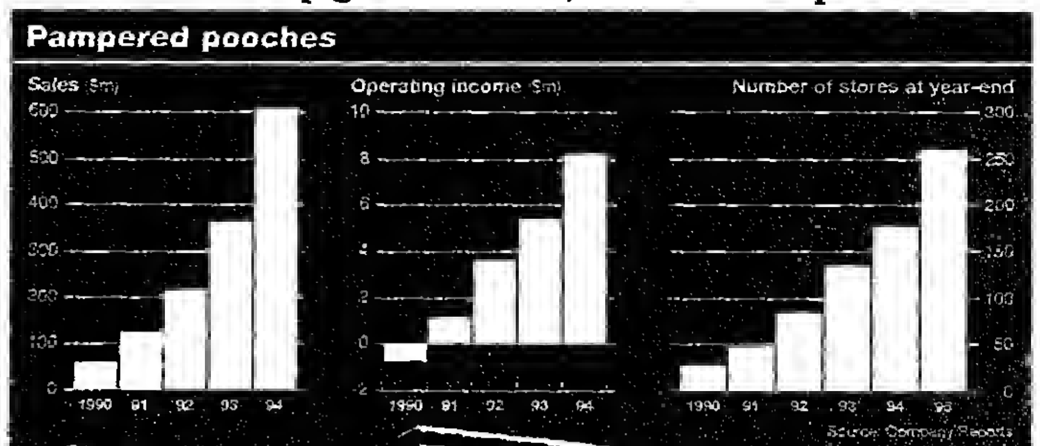
"Now we know why the press calls you a dinosaur," yelled one of his tormentors, "because you've just exhibited your brontosaurus tendencies – little brain and large body." Lord Hanson flashed: "Getting pretty close to it, aren't you? Fancy a bit of fresh air?"

After the meeting, security guards shielded Lord Hanson from additional questions. Unlike previous years, he did not join fellow directors to mingle with shareholders.

Details, Page 20

Pet supplies chain is one of the US's top growth stocks, writes **Christopher Parkes**

Paws and claws in the fight for sales



Noses are twitching expectantly in Europe's financial centres in anticipation of the arrival of Mr Mark Hansen, president and chief executive of PetsMart, the latest "category killer" to emerge from the US retail industry.

In turn, Mr Hansen, 41, whose success in selling pet supplies through 25,000 sq ft superstores has raised the hackles of grocery retailers, veterinary surgeons, wholesalers and pet shop owners, will be putting his own olfactory equipment to use sniffing out new territories.

Although far from finished in the US, where PetsMart has opened 260 stores out of a targeted 975, the group is poised to move into Canada this year. In 1997, Mr Hansen hopes, the first European stores will open in either Britain or France.

The debate on where the landing takes place may be testy: two of PetsMart's eight boardroom seats are filled by Mr Denis Defforey, retired chairmen of France's Carrefour retailing group, and Mr Philip Francis, president and chief executive of Shaw's Supermarkets, a subsidiary of Britain's J. Sainsbury retail group.

A UK opening may be preferred because the British tend to coddle their pets with more high-margin commercial food, although France may have an edge by virtue of Carrefour's stake of almost 20 per cent in PetsMart.

First, Mr Hansen plans to regale Europe's investment community with what analysts expect to be a sound set of 1995 results. The centrepiece will be $1bn turnover, achieved in the concern's sixth year of operations. Some analysts suggest net earnings may reach 50 cents a share, up from 26 cents. The speedy expansion programme has meant no dividend payments so far, although that has not deterred the likes of Fidelity Investments, PetsMart's biggest institutional backer, or one large private investor, Mr Paul Allen, co-founder of Microsoft.

On Mr Hansen's last roadshow visit in 1993, in advance of PetsMart's initial public offering, sales were $370m from 136 stores. Since then, each year PetsMart has featured in the top ranking growth stocks in the US.

Innovation and availability of a wider product range, coupled with the explosive growth of premium pet food brands, is increasing industry turnover – $17bn a year in 1994 – by 10-15 per cent annually. The total of large, chain-owned outlets has grown to about 700 from 250 in 1993. Conventional supermarkets, which accounted for 80-90 per cent of pet food sales a decade ago, last year claimed less than 50 per cent, according to Mr Hansen.

The pressure is forcing the closure of around 30 per cent of traditional family-owned pet shops each year. Veterinary practices and grooming parlours are being squeezed by the intrusion into their territories. PetsMart, which started out offering routine medical services such as inoculation, now has clinics and full-time veterinary surgeons in several stores.

Glass-walled in-store grooming parlours attract spectator-shoppers. Other draws include dog-wash facilities, obedience classes and photography studios.

The stores' entertainment value is further enhanced by sections devoted to books, videos and toys. Colourful fish tanks and small mammals for customers to pet add to the mix of attractions.

Sales of livestock account for only a fraction of the group's turnover, but in-store cat and dog "adoption" centres find new homes for strays and rejects from dog pounds which would normally be destroyed. They often go to homes which already have at least one pet – and always at a tiny fraction of the cost of a conventional pet shop puppy or kitten. "Helping the community to solve a problem," says Mr Hansen. PetsMart expects to find homes for 200,000 dogs and cats this year.

Such universal, emotional factors are key to the strategy which Mr Hansen believes will crown PetsMart's impending foreign adventure with success.

"Relationships between owners and animals are much the same all over the world," he says. There are no racial or ethnic differences. Food is the same, and there is no fashion content. The mass of comfortably-off empty-nest baby boomers will increasingly look to domestic animals for their emotional comfort and in return pamper their pets with expensive food and toys.

Mr Hansen has drafted a strategy for the first stage of the move abroad. The Canadian chain will be launched in Ontario and Vancouver before stretching across the plains and eventually reaching Quebec. Half a dozen initial openings will test and correct the merchandising and location tactics in the first 18 months, before a rapid cross-country sweep opens a projected total of 65 stores within four or five years.

Beyond that, he is not saying. Plans for expanding PetsMart further and moving into Europe remain under wraps. According to Mr Hansen, they are matters for discussion only between himself and a dim-looking toy collie, squatting by his desk, which has a non-speaking role in all corporate decisions.

Elektrowatt may sell off stake in Eurodis to highest bidder

By Christopher Price in London

Eurodis Electron faces a potentially hostile takeover after being told by Elektrowatt, the Swiss electricity generating and engineering group, that it intends to sell its 42 per cent holding in the UK electronics component distributor to the highest bidder.

Elektrowatt has also put its 29.9 per cent stake in Unitech, the international electronics group, up for sale.

Eurodis Electron is furious at the behaviour of Elektrowatt, which took on its holding just six months ago as part of the merger between Eurodis, Elektrowatt's distribution business, and Electron House, the UK components group.

The merger in August created the fifth largest electronic component distributor in Europe with a stock market value which has risen to £175m ($270m). Electron House believed it was securing a medium to long-term shareholder.

However, Elektrowatt's strategy changed in December when it made a SFr1.8bn ($1.5bn) agreed offer for Landis & Gyr, the electronics group.

Elektrowatt, which is controlled by the Credit Suisse bank, said then that it intended to dispose of its investments in peripheral businesses in order to raise SFr1bn for the purchase.

Eurodis Electron had hoped that Elektrowatt would sell its holding to institutional shareholders, and still hopes that may be the outcome.

However, any attempt to place such a large holding would inevitably result in the shares being offered at a discount to the current share price. Conversely, the Swiss group believes a potential suitor for Eurodis Electron would be willing to pay a premium for its stake.

Eurodis Electron reported its first results yesterday showing an increase in half-year pre-tax profits from £2.77m to £15.35m, lifted by a four-month contribution from Eurodis and profit from a disposal. Before the £9.4m exceptional item, resulting from the disposal, profits rose 86 per cent.

Turnover on continuing operations rose nearly three-fold to £118.6m. Earnings per share before the exceptional item rose 3 per cent to 6.2p. Including the disposal profit, earnings rose from 6p to 26.15p. The interim dividend was raised 19 per cent to 1.85p.

EUROPEAN NEWS DIGEST

Preussag in friendly bid for Elco Looser

Preussag, the German steel and engineering group, has made a SFr267.5m ($220m) friendly takeover bid for Elco Looser, a loss-making Swiss manufacturer of heating equipment. It plans to integrate the Zurich-based group with its Wolf and Kermi heating technology units to create a combined group with sales of about SFr1bn. The Elco Looser board is recommending acceptance of the Preussag offer of SFr535 per registered share, a 22 per cent premium over the average price of SFr438 in the second half of 1995.

The company, which also has interests in dyes and paintstuffs, yesterday blamed increasing competition in European markets for a 7 per cent drop in sales last year to SFr602m. "A disappointing operating result together with the cost of restructuring will result in a substantial loss," it said. In 1994, the group had net profits of SFr13.7m.

Frances Williams, Geneva

SAP disappoints with 43% rise

SAP, Germany's leading computer software house, yesterday announced a 43 per cent improvement in pre-tax profits for 1995, but disappointed the Frankfurt bourse, which had expected better after the company's spectacular growth in recent years. In the first half of 1995 profits rose 80 per cent. SAP said it was satisfied with the results.

The ordinary shares slipped DM6 to DM222 on the news. However, Mr Dietmar Hopp, chairman, said he was confident about prospects for 1996. The slight slowdown in growth did not suggest slackening profitability, he said. Revenues grew 47 per cent from DM1.83bn to DM2.69bn ($1.8bn). Income before taxes rose 43 per cent, from DM471m to DM674m, while earnings per share were 44 per cent higher at DM4, compared with DM2.78.

Alan Cane, London

L'Oréal sales increase 12%

L'Oréal, the French cosmetics group, yesterday posted full year sales up 12.1 per cent from FFr47.6bn in 1994 to FFr53.3bn ($10.4m). At constant exchange rates and excluding acquisitions, turnover was up 6.4 per cent. Analysts said this indicated continued weak demand. The figures were slightly below expectations, but the shares closed up FFr19 at FFr1,448.

The group said its pre-tax profits would be markedly better than those in 1994, which were FFr5.15bn. This would be despite higher financial costs after its acquisitions last year of Cosmair in the US and Lorsa Fagel in Switzerland. The net results would be affected by a higher tax charge because of changes to French tax rules. James Capel in Paris said it expected net profits, due to be announced in April, of FFr3.4bn, an increase of 8.9 per cent from FFr3.121bn in 1994. Sales at Synthélabo, L'Oréal's pharmaceuticals subsidiary, in which it holds a 54.6 per cent stake, rose 15.2 per cent. Turnover at the cosmetics operations increased 11.4 per cent.

Paul Abrahams, Paris

BMW earnings 'satisfactory'

BMW, the German carmaker, said group sales rose 9.4 per cent from DM42.2bn to DM46.1bn ($30.9bn) in 1995. The company said earnings were "satisfactory" for the year, but did not give details. Sales excluding Rover Group of the UK, acquired in 1994, climbed 3.5 per cent to DM33.1bn.

AFX News, Munich

■ Pinault-Printemps-Redoute, the French retailer, said yesterday sales rose almost 10 per cent from FFr70.8bn to FFr77.8bn ($15.2bn) last year. At constant exchange rates and with the same company structure, sales would have risen 2.4 per cent, the company said.

AFX News, Paris

Rhône-Poulenc steps up shake-out

By Jenny Luesby

Rhône-Poulenc, the French chemical group, yesterday announced disposals worth FFr10bn ($2bn) over the next two years aimed at cutting its unwieldy debt and boosting its "inadequate" profitability.

Unveiling a 10 per cent decline in operating income, to FFr6.2bn, on sales down 1.8 per cent at FFr84.8bn, Mr Jean-René Fourtou, chairman and chief executive, said last year's results were disappointing – especially after three years of strategic restructuring. However, he denied the company was on the wrong tack.

The operating margin of 2.5 per cent – in a year when many chemicals companies achieved record profit levels – was due to external factors and one-off items, he said.

Principal among these were the weak dollar, a recession in Brazil, and economic downturn and strikes in France. The results were also depressed by the group's active programme of acquisitions and disposals.

On a continuing basis, and with exchange rate movements excluded, sales had risen 7.4 per cent. Excluding provisions for restructuring and acquisition charges, operating income rose 12.2 per cent. Net profit worked out at FFr2.13bn, against FFr1.91bn last time.

The provisions amounted to FFr1.7bn, of which FFr630m was for the integration of pharmaceutical companies Fisons and AIS into its US-based pharmaceuticals arm Rhône-Poulenc Rorer. This was offset by a FFr655m tax credit.

The company's continuing commitment to expanding its research and development programme, and increased capital expenditure had also contributed to an erosion in profits and cash flow. The R&D budget rose from FFr6.7bn the previous year to FFr7.1bn, and capital expenditure to FFr6.1bn from FFr5.2bn.

This saw the cash flow drop from FFr2.7bn to FFr375m.

With the FFr10.4bn spent on acquisitions – after deducting the gains from disposals - this lifted the group's debt by FFr11.8bn, taking its gearing to 72 per cent.

The company was determined to reduce this to 50 per cent over the next two years, said Mr Fourtou, with the help of the planned disposals, half of which would be in the pharmaceuticals business. It planned to sell its stake in Société Générale, and would also be making large disposals in its chemicals division.

However, it did not rule out further acquisitions, and remained committed to expansion in Asia and South America. Mr Fourtou said.

The company would not reveal regional profits.

Jean-René Fourtou: results disappointing after revamp

Telecoms operators launch global alliance

By Michael Lindemann in Bonn

Three of the world's leading telecoms operators – Deutsche Telekom, France Télécom and Sprint of the US – yesterday launched the world's third global telecoms alliance, forecasting sales of $5bn by 2000.

Deutsche Telekom and France Télécom, the biggest operators in Europe, will pay a total of $4.2bn, slightly more than expected, for a 20 per cent stake in Sprint, the third biggest US long-distance carrier.

Unveiling the final details of the alliance, to be called Global One, the chief executives of the three companies said the venture offered clients around the world a new range of services.

"Global One is going to offer customers communication to the world through a single point of contact, a single global network that is state-of-the-art technology," said Mr William Esrey, Sprint chief executive. "No one else in the world is offering this unique level of services."

Mr Esrey said Global One would focus on three segments of the international telecoms market: worldwide voice, data and video services for corporate clients; international consumer services, such as calling cards; and international transmission and support to other international carriers.

The two European companies yesterday paid $3bn for a new class of Sprint preference stock, giving them each a stake of about 7.5 per cent of Sprint's voting power. The two companies will make the rest of their investment after Sprint Cellular Co, the mobile telecoms division, has been spun off later this year, bringing their final investment to $4.2bn.

Global One will face strong competition from the two existing global telecoms alliances which have a considerable headstart. AT&T, the US operator which is the world's biggest, has linked up with four European operators in a venture called Uniworld. British Telecommunications, the UK-based group, and the US company MCI make up the second leading global telecoms alliance, known as Concert.

The launch of Global One will come as a considerable relief to Deutsche Telekom, which has had a bad start to the year. The state-owned company faced public criticism of its tariff changes on January 1 and this week had discounts for corporate clients delayed by Mr Wolfgang Bötsch, the German post and telecoms minister.

Yesterday, the company said it was temporarily withdrawing a number of digital telecoms services such as conference calls and call-holding used by about 80,000 customers. Deutsche Telekom said "countless" customers had called in to complain of false billing.

Total climbs 9% before FFr1.5bn provisions

By Paul Abrahams in Paris

Total, the French oil and gas group, yesterday followed Elf Aquitaine and its US competitors by making big provisions to comply with new US accounting standards.

The accounting standards and restructuring charges reduced net income by FFr1.5bn ($292.9m). Excluding these, net profits for the year to December rose 8.8 per cent from FFr3.4bn to FFr3.8bn. Earnings per share improved 8.2 per cent from FFr14.6 to FFr15.8, while earnings per ADR increased 20 per cent to $1.58.

The results were in line with forecasts. However, the accounting standards charges, which knocked FFr1bn off net profits, were higher than expected. Analysts had been expecting about FFr300m. The standard FAS 121 limits the book value of assets to their market value. The other, FAS 106, covers medical and life insurance coverage.

One London-based analyst commented: "It may be cynical, but by taking these substantial charges and then backdating the accounting standard to the beginning of the year, Total's depreciation charge falls by some FFr2bn, and its return on equity is naturally flattered."

The group aims to have a 10 per cent return on equity in 1998. The shares rose FFr3.4 to close at FFr349.70.

Group sales fell 1 per cent from FFr137bn to FFr136bn, held back by the 10 per cent decline in the US dollar against the franc in the year.

The upstream operations offset weak downstream results. The exploration and production division posted trading profits up 47 per cent from FFr3bn to FFr4.4bn. The results were lifted by higher average crude oil prices, up from $15.80 in 1994 to $17.05 last year. Production rose 6 per cent to 669,000 barrels of oil equivalent a day (boe/d). The mix also helped: non-Middle East production, which does not suffer from fixed margins, increased 11 per cent to 382,000 boe/d, although this was a little below forecasts.

Mr Thierry Desmarest, chairman, said Total continued to invest heavily in upstream activities outside the Middle East. Capital spending in this area was FFr6.2bn last year, and would reach FFr7.1bn this year. He said he hoped production outside the Middle East would reach 453,000 boe/d this year.

Total was also working to keep down production costs, said Mr Desmarest. These had fallen from $11.6 a barrel in 1992 to $9.1 last year.

In contrast, the downstream refining and marketing division suffered from poor refining margins and a price war in the UK. Hopes of a recovery in the second six months had not materialised. Operating profits fell 46 per cent from FFr2.4bn to FFr1.3bn.

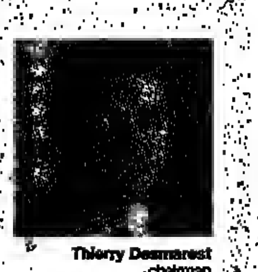
Mr Desmarest said Europe's refining industry suffered from 10 to 15 per cent overcapacity, but he held out little hope for an organised pan-European restructuring.

In the meantime, Total had rationalised downstream activities in Portugal and the US, and had decided not to invest in the Czech Republic. It was, instead, concentrating on high-growth regions such as Indonesia, Colombia, Thailand and China. The division was also looking to increase sales of added-value products.

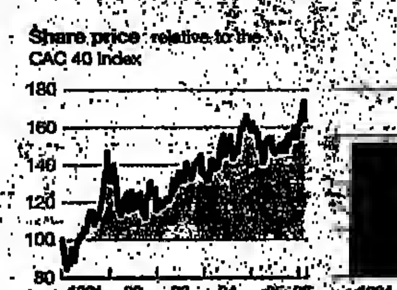
The chemicals division's operating profits rose marginally from FFr1.66bn to FFr1.7bn, hit by escalating raw material costs which proved impossible to pass on to customers. Sales rose 9 per cent to FFr21.7bn although demand from the automotive and construction industries was weak.

COMPANY PROFILE: Total

Market capitalisation	$1.08bn
Main listing	Paris
Historic P/E	23.7
Gross yield	3.6%
Earnings per share	1994: 14.6
Current share price	FFr349.7



Thierry Desmarest chairman



Source: FT Extel

Source: BZW Barclays, Datastream

Getinge held back by Arjo weakness

By Christopher Brown-Humes in Stockholm

Getinge of Sweden, which became one of Scandinavia's largest medical technology groups last year after a string of acquisitions, yesterday announced pre-tax profits of SKr389m ($55.5m) for 1995 and said it was on course for sharply higher figures this year.

Its result was SKr23m lower than in 1994, reflecting much weaker figures from Arjo, the world's leading supplier of patient handling and hygiene systems, which Getinge acquired for SKr2.3bn after a takeover battle last autumn.

Getinge said its figures had been calculated according to a pooling method combining its own results for calendar year 1995 with Arjo's for its financial year to September 30. It decided to take Arjo's SKr228m deficit in the final three months of 1995 – blamed mainly on one-off restructuring costs – as a balance sheet charge against equity, rather than through its profit and loss account. This accounting treatment was criticised in some quarters yesterday for not reflecting tbe group's financial performance clearly enough.

Getinge said it expected 1996 profit to reach between SKr480m and SKr500m. Most of the improvement would come from Arjo, said Mr Carl Bennet, Getinge president.

Bnt he also forecast better performances from the group'e sterilisation and distribntion divisions, both of which saw lower operating margins last year.

Getinge has begun an extensive restructuring of Arjo, which saw profits fall from SKr235m to SKr126m last year after it was hit by delayed US product launches and a heavy drop in sales of patient handling systems in tbe UK. Getinge has closed Arjo's headquarters in southern Sweden, and one of its German factories. It has also cut staff in the US and Sweden.

Although the restructuring costs have proved higher than expected, Getinge expects annual synergy gains of between SKr80m and SKr100m within two years. This is higher than an earlier estimate of SKr60m.

Apart from Arjo, Getinge bought LIC Care, another Swedish medical sector group, for SKr552m, and several smaller companies in France and Sonth Africa last year. This helped lift turnover from SKr2.59bn to SKr3.22bn. Excluding acquisitions, turnover rose 6.4 per cent.

The group, spun off from Electrolux in 1993, now consists of 60 companies in 21 countries with 2,700 employees. The B shares rose SKr6 to close at SKr329 yesterday.

Agnelli warns of difficult year for Fiat

By John Simkins in Milan

Mr Giovanni Agnelli, who steps down as Fiat's chairman next month, yesterday forecast a "difficult year" ahead for the company against a background of poor prospects for economic growth worldwide.

In his last annual letter to shareholders, Mr Agnelli said the Turin-based company expected consumer demand to be flat, as it became in the second half of 1994. Demand for cars was expected to stay at the same level, and the market for commercial and agricultural vehicles would be quiet.

Figures released by Fiat showed group turnover had risen from L65,842bn in 1994 to L75,500bn ($46.8bn), in line with analysts' expectations. Taking into account disposals of subsidiaries during the year, this represented an increase of almost 17 per cent.

Operating income was estimated at L3,400bn, against L2,676bn, which would put the group in line for a net profit for the year of about L2,000bn, a figure already signalled by Fiat. Net profit in 1994 was L1,011bn, a turnround from the year before when Fiat incurred the worst loss in its history.

At the operating level, the return on sales was 4.5 per cent, up from 4.1 per cent the previous year but lower than one Milan analyst's forecast of 5 per cent. Mr Agnelli said this was "a considerable improvement", but that in terms of profitability the 1995 results "did not appear totally satisfactory". He said the second half had suffered from reduced margins as a result of worsening market conditions.

The group'e debt climbed L500bn to L2,500bn, in part because of heavy investment.

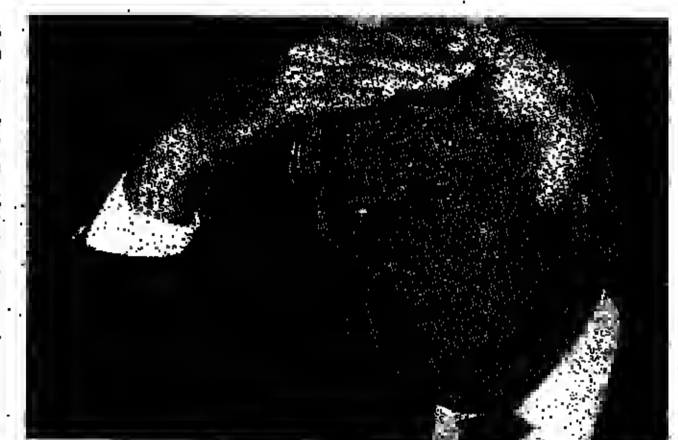
In his letter, Mr Agnelli dealt at length with factors, such as political uncertainty, which he believed were bolding back demand in Europe and which were only partially offset by strong exports. However, he said all Fiat's sectors had shown growth and that Fiat Auto, the core cars division, had increased sales in Europe, excluding Italy, by 6 per cent.

The subsidiaries' results indicate the company is returning to its roots as a vehicle maker. Fiat Auto had a turnover of L38,706bn, up 16.6 per cent, and sales at Iveco, the commercial vehicles arm, rose 30.6 per cent to L11,009bn.

Mr Agnelli said Fiat would not be deterred from its policy of internationalisation and concentration on its core business by problems that might arise from pay negotiations with unions and the heavy tax burden on the company.

After yesterday's board meeting, the group confirmed that Mr Roberto Testore would become Fiat Auto's managing director when Mr Paolo Cantarella leaves the post to become the group's chief executive. Mr Paolo Marinsek will succeed Mr Testore as chief of the Comau automation unit.

Lex, Page 14



Giovanni Agnelli: expects consumer demand to be flat

Danone depressed by restructuring charge

By Paul Abrahams

A FFr1.8bn ($351m) charge to restructure Danone'e European operations knocked the French foods group's full-year net profits, which tumbled 39 per cent from FFr3.52bn to FFr2.13bn. Nevertheless, the board proposed the dividend should be maintained at FFr16.

The exceptional charge was to cover the restructuring of non-French European businesses during the next three years. The results also suffered from higher French tax rates, which cut FFr250m off net profits. Excluding the charges, net profits would have been about FFr3.38bn, below market expectations.

Operating income rose 4.3 per cent from FFr6.72bn to FFr7bn. The group said operating margins slipped slightly from 9 per cent to 8.8 per cent. In Europe they were 9.3 per cent, a slight decline caused by the high cost of PET for plastic mineral wster bottles. Non-European margins improved from 5 per cent to 5.9 per cent over the period.

Turnover increased 3.4 per cent from FFr76.82bn to FFr79.45bn. At constant exchange rates and excluding scquisitions the increase was 4.6 per cent. In Europe, sales rose 3.2 per cent. Mr Antoine Riboud, chairman, said there had been a significant slowdown in the region, particularly during the second half.

Elsewhere, sales rose 46 per cent to FFr11.3bn, helped mainly by acquisitions. Underlying non-European growth was 11.9 per cent. Danone said that it planned to achieve non-European sales of FFr30bn within five years.

As part of its international strategy, the group said it was launching a new bottled water brand in the US called Dannon. The company said this would be positioned to take advantage of the expected doubling of the US bottled water market by the end of the decade.

The group also announced it acquired 70 per cent of Haomen Brewery, one of the largest in the Beijing region and among China's top 10 brewers.

Now That We're Merging, We Can Simply Do It From Across The Hall.

Left to right: Ed Miller, President – Chemical Banking Corp.
Michel Kruse, Vice Chairman/Global Financial Services – Chase Manhattan Corp.
Walter Shipley, Chairman/CEO – Chemical Banking Corp.
Tom Labrecque, Chairman/CEO – Chase Manhattan Corp.
Bill Harrison, Vice Chairman/Global Wholesale Banking – Chemical Banking Corp.

Chase and Chemical have long envied each other's capabilities. But through it all, there was one trait we both shared: exceptional client focus. That's why our agreed merger is more than just combining our capabilities. It's an integration of our abilities to deliver the best solutions. An integration of people and ideas. It's a leveraging of our leadership positions to identify new opportunities for your business. It's teamwork across all lines of business to solve your individual needs. Whether those needs are on the other side of the street, the other side of the country or the other side of the world.

CHASE CHEMICAL

AMERICAS NEWS DIGEST

IBM acquires Tivoli in $743m cash deal

IBM has agreed to acquire Tivoli Systems, a US supplier of computer networking software and services, for $743m in a cash tender offer. IBM will offer Tivoli shareholders $47.50 a share, a sharp premium on Tivoli's closing price on Tuesday of $37.75 a share. Yesterday, Tivoli's share price jumped to $47 in early trading. The $743m price includes the purchase of Tivoli's outstanding shares, the vesting of a portion of the company's employee stock options, fees and expenses, less Tivoli's current cash, the companies said.

Tivoli, based in Austin, Texas, provides systems management software and services for corporate computer networks and had revenues last year of $50m. The acquisition will augment IBM's existing networking products and is in line with the company's strategic focus on "network-ceotric" products. IBM said it would take an unspecified charge against earnings to write off software under development, in line with standard accounting rules. *Louise Kehoe, San Francisco*

Bethlehem Steel sees setback

Recent price reductions and severe weather in parts of the US in the early weeks of this year will hold back earnings growth at Bethlehem Steel in the first quarter of this year, Mr Curtis Barnette, chairman, said yesterday. His comments came as the second-biggest steelmaker in the US reported net income of $32m, or 20 cents a share, for the final three months of last year, almost unchanged from the year before. Full-year earnings climbed by $99m to $180m, or $1.24 a share.

Mr Barnette offered a cautiously optimistic view of 1996, with "moderate and sustainable" economic growth and a strengthening of demand after the final months of 1995, when customers had been working their way through high inventory levels. He added, though, that oew steelmaking capacity in the US would make the market more competitive.

Bethlehem's operating profits were $31 on each of the 2.14m tons of steel shipped in the final quarter, compared with $22 a ton the year before. *Richard Waters, New York*

Bank of Nova Scotia expands

The Bank of Nova Scotia has agreed to take a majority stake in Grupo Financiero Inverlat, which owns Mexico's fifth-largest bank. Sources close to developments said that the two banks and the Mexican government had agreed that the Canadian bank would increase its participation in Inverlat from its current 8.5 per cent to between 51 per cent and 55 per cent. At present, Mexican government banking regulators have control of Inverlat. *Daniel Dombey, Mexico City*

Glencore buys into Alumax unit

Glencore, the international trading group based in Switzerland, is paying $80.3m to Alumax, third-largest of the US aluminium producers, for a 23 per cent interest in the Mount Holly aluminium smelter at Goose Creek, South Carolina. Alumax said the deal would generate a pre-tax gain in the first quarter of 1996 of more than $75m. The proceeds would be applied against the early repayment of a $90.7m promissory note payable to Glencore in May this year.

The US group will retain a 50.33 per cent stake in the smelter, which has the capacity to produce 182,000 tonnes a year, and management control. As a condition of the sale, Glencore's entitlement under a tolling arrangement that terminates in July 1996 has been redoced from an annual 90,719 tonnes to 48,980 tonnes. *Kenneth Gooding, Mining Correspondent*

Closure costs put Asarco in red

A $79m after-tax charge pushed Asarco, the US mining group, into a net loss of $11m, or 27 cents a share, for the fourth quarter of 1995, compared with net earnings of $48m or $1.15 a share in the comparable period. Sales in the quarter rose 36 per cent to $800m.

The charge related to the closure of lead refining operations in Nebraska, changes in accounting and additional reserves. Excluding the charge net earnings were $68m or $1.60 a share.

The company was helped by higher prices in the fourth quarter compared with 1994. Mr Richard Osborne, chairman, said the company expected another good year in 1996. "Market fundamentals remain positive," he said. For the full year Asarco reported net earnings of $169m including the charge, against $64m for 1994, on sales up 60 per cent to $3.2bn.

■ SPCC, the largest mining group in Peru, announced net earnings of $68m, or $1.04 a share, for the fourth quarter 1995, against $31m, or 47 cents a share, in the comparable period. For the full year, net income rose from $91m to $217m on sales up 32 per cent to $929m. *Clare Gascoigne*

CORRECTION

Oracle

The FT reported on January 30 that Oracle is expected to invest in a satellite joint venture formed by MCI and News Corp. Oracle is, in fact, expected to invest in a different MCI-News Corp joint venture that is developing online information services.

Strong Marlboro sales lift Philip Morris 16.5%

By Richard Tomkins in New York

Strong sales of the company's flagship Marlboro cigarettes helped Philip Morris, the US tobacco and food group, record a 16.5 per cent jump in net profits to $1.3bn in the fourth quarter, the company reported yesterday. Earnings per share rose 20.5 per cent to $1.53, a touch above the $1.52 expected by analysts.

The results rounded off a year in which net earnings rose by 15.9 per cent to $5.5bn, mainly because of sharply higher income from world-wide tobacco and solid results from North American food.

Full-year earnings per share, boosted by $2.1bn worth of share repurchases, rose by 19.4 per cent to $6.51

Mr Geoffrey Bible, chairman and chief executive, said he looked forward to another "robust" year in 1996, with much of the growth coming from increased cigarette sales. The world-wide tobacco business was "absolutely flying right now," he said.

Philip Morris said fourth-quarter volume growth in its international tobacco business was upset by abnormal trade buying patterns, but for the full year, the total number of cigarettes sold rose by 10.7 per cent to 593bn and operating profits rose by 20 per cent to $3.5bn.

This reflected the growing demand overseas for American-style cigarettes, the company said. Volumes and market shares set new records in most important areas, and there was a surge in exports to central and eastern Europe.

In the US, the domestic tobacco business benefited from a market trend away from low-price cigarettes towards premium brands.

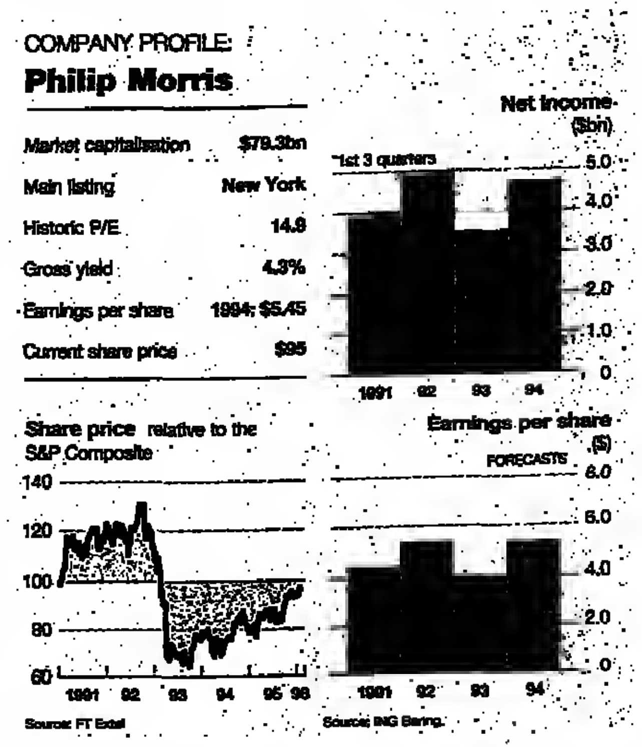
The number of Marlboro cigarettes sold in the full year rose by 5.2 per cent to 144.9bn, and the brand's market share rose by 2.5 percentage points to a record 30.1 per cent.

Total cigarettes sold by Philip Morris in the US rose by 1.1 per cent to 221.8bn, and the division's full-year operating profits rose 13.3 per cent to $3.7bn.

On the food side, the North American operations had a relatively good year with full-year operating profits rising 7.5 per cent to $2.4bn. Margins rose because of the cost savings resulting from a realignment of the business.

Tha international food business, helped by lower costs and growth in emerging markets, increased operating profits by 5.6 per cent to $1.2bn.

Miller Brewing's volume was down slightly, but profits rose on higher sales of premium products.



Beta Funds unit to get round Cuba embargo

By Stephen Fidler, Latin America Editor

The first venture capital vehicle for investors in Cuba is being launched this week after 18 months of preparation.

Beta Gran Caribe is an investment company to be listed on the Dublin Stock Exchange and will be managed by Havana Asset Management, a subsidiary of the London-based Beta Funds International.

Latinvest, the London-based broker acting as placing agent, said the company was expected to raise SFr35m ($28.8m). The formal launch began last Friday and settlement is set for Monday.

Beta Gran Caribe has taken about 18 months to put together. Mr Peter Scott, Beta's chief executive, said the amount likely to be raised was about in line with expectations. However, the size is at the low end of previously stated targets.

It will concentrate on investments in property, tourism, biotechnology, agriculture and one or two other areas. Mr Scott said a number of investments were almost ready.

In deference to the US embargo of Cuba, Beta Gran Caribe has not been marketed in the US and is denominated in Swiss francs so as not to fall foul of the embargo on the clearing of US dollars. The name of the company was changed to avoid the word Cuba appearing in the title.

The embargo made marketing more difficult, particularly given the uncertainty surrounding possible legislation now in the US Congress to tighten the embargo. Its original adviser, S.G. Warburg, dropped out after its merger with Swiss Bank Corporation.

The launch was also delayed until after the flotation of Sherritt International, one of the most prominent investors in Cuba, which was spun off from the Canadian mining company, Sherritt.

Sherritt International, whose interests include a 50 per cent stake in a joint Cuban-Canadian nickel venture, as well as oil and gas properties and hotel investments in Cuba, was marketed as the equivalent of an investment fund in Cuba.

The Beta Gran Caribe units are priced at SFr50, each consisting of five shares with one warrant attached. They are partly paid: half is payable on subscription and the rest after a year.

Beta, which has some $260m of funds under management, specialises in managing equity investments in more exotic emerging markets, which often lack developed stock markets, usually through affiliates based in the country with local partners.

It also manages the Beta Vietnam Fund, launched in 1993 with some $70m, and the Beta Mekong Fund, launched in December 1994 with just over $25m to invest in Indochina. Its subsidiary Beirut Investment Management is also planning a Lebanon fund of some $30m.

Novell agrees $116m disposal of WordPerfect

By Louise Kehoe in San Francisco

Novell, the US compoter software company, has agreed to aell WordPerfect and other office application products to Corel, a Canadian graphics software company, in a deal valued at $115.9m – a fraction of the price Novell paid to acquire the products less than two years ago.

The sale is the latest move by Novall to refocus ou its core computer networking products in the faca of stiff competition from Microsoft, the world's largest software company.

Novell acquired WordPerfect, a developer of word processing programs, for $1.4bn in 1994. At the same time It also purchased QuattroPro, a spreadsheet application, from Borland International. These and related products formed the basis of Novell's office applications suite, PerfectOffice.

Novell's attempt to expand into the office applications market placed it in bead-to-bead competition with Microsoft's Office products, and Novell failed to gain ground.

Microsoft Office now bolds more than 90 per cent of the world market for office application suites.

Under the terms of the deal announced yesterday, Corel will pay $10.75m in cash and about 9.95m in Corel shares, which represents about 20 per cent of the Ottawa-based company's shares outstanding. Novell is now entitled to nominate a director to Corel's board.

Corel will also license Novell's GroupWise communications software, electronic publishing software and other technologies paying a minimum royalty of $70m over the next five years, the companies said.

Novell said that after costs and other charges, the agreement will result in a slight one-time gain in its fiscal second quarter ending April 27.

Corel said it saw the purchase as an important step to broaden its product line and expand its customer base among the estimated 20m usera of WordPerfect. "We think that the public will be excited by the new potential of the WordPerfect products as they are combined with the graphics and multimedia atrengths of Corel," said Dr Michael Cowpland, Corel chief executive.

Analysts were aceptical, bowavar, about Corel's abilities to revive sales of WordPerfect, which fell sharply last year when Novell fell behind in developing new versions of the office programs for use with Microsoft's Windows 95 software.

GM awakens to the value of the brand

After decades of confusion between its many marques, General Motors, the world's biggest car maker, is rediscovering the brand. At the Detroit Motor Show in January, Mr Richard Wagoner, head of GM's North American operations, heralded an era of brand differentiation inaugurated by the group's new mid-sized car range.

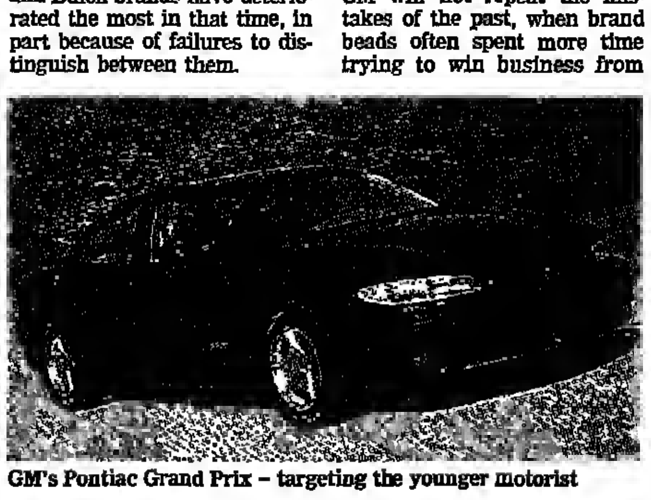
Dubbed BrandScape, the strategy aims to identify broad, clearly distinguishable categories of buyers at which future cars will be directed.

Pontiac, one of GM's four main brands, will be targeted at younger motorists looking for "excitement". By contrast, Chevrolet will be the group's entry-level product, offering attractive, no-frills transportation.

Although sharing a common platform and many parts, the four new cars unveiled last month are styled differently to try to cater for the tastes of their target customers. While the front of the new Pontiac Grand Prix is pronounced and aggressive, its sister, the Buick Century, has a conservative front-end geared towards older, more traditional buyers.

For managers in, say, tbe food industry, wbere branding has been the name of the game for decades, such tactics may seem naive. Even Mr Jack Smith, GM's chairman, admitted the new approach was "hardly rocket science".

Discovering the value of the brand, even late in life, is a big step forward for GM. Over the past decade, the group's share of the US new car market has fallen from more than a half to only a third. Tha Oldsmobile and Buick brands have deteriorated the most in that time, in part because of failures to distinguish between them.



GM's Pontiac Grand Prix – targeting the younger motorist

Sales of Oldsmobiles, for example, which reached more than 1m in 1984, had fallen to about 424,000 a decade later; Buick sales slipped by more than 40 per cent to 545,000 in the same period.

GM executives admit brand differention was allowed to suffer through ignorance and inattention. Too often managers allowed, and sometimes even encouraged, brands to overlap in the belief that this would maximise sales.

Matters were not helped by GM's structure, which vested great power in individual brand managers at the expense of central control from the group's bead office.

Mr Smitb is adamant that GM will not repeat the mistakes of the past, when brand beads often spent more time trying to win business from otber GM subsidiaries than from the competition.

"In future, sncces will be measured by hitting a brand's target, not by hitting another brand'a target and claiming it's a success," be says.

To implement tbe new approach, GM late last year beadhunted Mr Ron Zarrella from the Bausch & Lomb eyecare group to take charge of sales, service and marketing for its North American arm. Witb a background in consumer products and the support of Mr Smith, Mr Zarrella will be one of a small team of managers entrusted with pushing through the new strategy.

US motor industry analysts generally support GM's move, seen as long overdue. Many, bowever, warn of pitfalls: the greatest risk is that the group may have misjudged its market research. "If they have misdefined their target groups, they could end up worse off than before," says one analyst.

Mr Smith says GM has developed some very sophisticated techniques in analysing and categorising responses from customers.

The risk of "fuzziness" in defining customer segments is most acnta with Buick and Oldsmobile, the two GM brands which least fit into any obvious categories.

Under BrandScape, Oldsmobile will increasingly cater for youngish buyers who might have opted for the perceived quality and styla of a European or Japanese import, while Buick will appeal to older, more traditional US buyers.

The new policy will put a premium on styling. Cars in future will not only have to look different, but appeal visually to the precise categories of buyer identified for each brand. The constraint, however, is that they will share basic platforms and components to keep production and development costs down.

Making cars which look different but share mnch beneath the skin can be done – witness the sncces in Europe of France's Peugeot-Citroën.

However, building different-looking cars based on shared parts is slow, and can take more than one generation of a vehicle to come to fruition.

Most of the basic thinking behind the latest GM models took place long before the introduction of the BrandScape strategy, so the real test will be with future product launches, expected to include minivans (people carriers) and lower mid-sized models.

Success may also depend on the outcome of GM's related plans to restructure its dealership network around its brands. At present the company has too many US dealers, often resulting in harmful and pointless competition. Also, most dealers sell the full range of GM vehicles – as well as other manufacturers' products in many cases. That dilutes tbe brand focus at retail level.

GM hopes, over the next decade, to close a quarter of its 8,500 dealerships and to encourage those that remain to focus, wbere possible, on one brand only. But that will be a long and expensive process.

Haig Simonian and Richard Waters

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.02.96 Pool purchase price £/MWh	Final Prices for Trading on 04.01.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	24.09	9.03	9.03
0100	39.03	12.85	13.76
0130	39.50	32.13	33.04
0200	39.50	32.13	33.04
0230	34.01	12.85	13.76
0300	46.56	16.13	17.04
0330	46.56	16.13	17.04
0400	46.56	12.85	13.76
0430	23.74	12.52	13.44
0500	23.74	12.52	13.44
0530	23.89	12.68	13.59
0600	23.72	9.01	9.01
0630	23.72	12.68	13.59
0700	33.22	12.88	13.79
0730	34.98	23.73	24.64
0800	36.52	25.13	26.05
0830	41.51	25.44	26.36
0900	44.89	25.50	26.44
0930	55.28	25.74	26.11
1000	58.20	26.49	29.49
1030	54.34	37.23	38.25
1100	51.20	37.28	38.29
1130	48.90	37.29	38.33
1200	44.09	41.32	42.37
1230	42.77	41.28	42.31
1300	40.93	37.23	38.25
1330	38.98	28.47	29.48
1400	35.25	28.45	29.43
1430	36.23	25.75	26.71
1500	35.54	25.71	26.67
1530	37.08	25.74	26.71
1600	50.20	26.93	28.28
1630	83.69	49.74	55.07
1700	175.10	78.04	88.47
1730	238.10	104.00	114.25
1800	231.06	84.05	92.24
1830	144.78	43.89	47.06
1900	65.74	35.04	36.65
1930	59.43	33.32	34.49
2000	46.91	29.78	30.77
2030	39.66	27.84	28.78
2100	38.89	25.43	26.34
2130	34.55	25.42	26.33
2200	33.31	25.42	26.33
2230	33.15	23.72	24.64
2300	23.89	12.82	13.73
2330	23.89	9.02	9.02
2400	9.13	9.02	9.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Merger costs hold back Kimberly-Clark

By Tony Jackson in New York

The first results from the US tissue maker Kimberly-Clark since its $9.4bo takeover of Scott Paper showed operating profits in the fourth quarter np only 3 per cent before special items, at $352m.

This was due largely to a fall in US sales at Scott. However, a sharply lower tax charge left net earnings up 32 per cent at $255m.

For the full year, earnings from the merged group were up 51 per cent at $1.1bn, on sales ahead 15 per cent at $13.8bn. This was almost wholly offset by a previously-annonnced fourtb-qnarter charge of $1.07bn net, representing tbe costs of the merger.

The company said results from the old Kimberly-Clark were in line with analysts' axpectations. However, sales and profits for the combined group had been held back by activities related to the merger, which was completed in December.

In addition, Scott had a weak December as US retailers cut orders to reduce inventories. The company said January sales were returning to pre-December levels.

In the fourth quarter, sales for the combined group were up 9 per cent to $3.4bn. This was mainly due to higher selling prices for tissue, pulp and newsprint. Also, the fall in Scott's US sales was partly offset by growth overseas.

In the quarter, the tax charge before special items fell from 40 per cent to 26 per cent. This was due to the decline in US taxable earnings at Scott, and to tax credits in Spain and changes in tax law in the Netherlands. For the year as a whole, the tax rate fell from 41 per cent to 33 per cent. The company forecast a rate of 36 per cent in the current year.

Also contributing to the rise in net profits was a sharp improvement in earnings from affiliates, from a loss of $2m in the quarter to a profit of $25m.

This loss in the previous quarter was due to a charge incurred by Kimberly-Clark's Mexican business to reflect the collapse of the peso.

Wall Street reacted negatively to the figures at first, but revised its opinion during the morning. By lunchtime the sbares were up $¾ at $80⅝, having been as low as $76.

Gencor gold arm in C$150m assets swap

By Kenneth Gooding, Mining Correspondent

Gencor of South Africa's new international gold business, set up last July, yesterday announced its first substantial deal.

It is to exchange assets valued at about C$150m (US$109m) for 49 per cent each of Eldorado Corporation, a Toronto-quoted company, and its exploration offshoot HRC Development Corporation.

When the deal is completed, Eldorado, floated four years ago, will have four gold mines producing about 300,000 troy ounces a year, 5.4m ounces of gold reserves, and exploratioo concessions on five continents.

Mr Gary Maude, the executive director responsible for Gencor's international gold operations, said the deal would create "a new international gold producer poised to become a senior mining company".

Eldorado's aim was to be producing an annual 500,000 ounces of gold within five years and be a 1m ounce producer in 10 years.

Mr Maude said Gencor had taken a strategic decision to stay in the gold business, but gold needed to account for at least 15 per cent of operations to give the group a significant position in the industry. At present, he guessed, it contributed about 5 per cent.

Gencor looked at more than 700 companies in a search for one witb good management, good assets and of the right size. "We want an association without domination," he said.

For this reason Gencor had restricted its involvement in Eldorado to 40 per cent of the votes and two out of 10 directors. "If you dominate a company you change it, and we don't want to change a company that works well," he said.

Gencor would be happy to put more assets into Eldorado "if the association goes as well as we hope". Gencor had to give 21 days' notice to the Eldorado board if it intended to sell any sbares, but it could buy more at any time.

Mr Richard Barclay, president of Eldorado, said the assets acquired would "establish Eldorado as an intermediate gold prodncer. This transaction with one of the world's largest international mining groups will assist us to achieve our growth objectives more rapidly than would be possible for Eldorado in isolation."

The package Gencor is transferring includes its São Bento gold mine in Brazil which produces about 100,000 ounces a year; five regional exploratiun and development projects in Brazil; 20 exploration/development projects in Turkey; five exploration/development properties in North America and the North American rights to use and sub-license Gencor's proprietary Biox bacterial oxidation technology.

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Write-offs to put Hokkaido Bank in red

By Gerard Baker in Tokyo

Hokkaido Bank, one of Japan's larger regional banks, said yesterday a big increase in planned write-offs of bad loans would force it to declare a loss for the year to the end of March, its first for nearly 50 years.

Mr Toshiaki Yamashiro, the bank's president, said the recurring loss – before extraordinary items and tax – would be about Y39bn ($364m), against a forecast three months ago of a recurring profit of Y3.6bn.

After-tax, the loss would be Y32bn, compared with a forecast profit of Y1.6bn. The full-year dividend would be halved to Y2 per share.

The deficits stem from the management's decision to write off Y80bn in non-performing assets.

The bulk of the write-offs will be property-related advances to third parties, most of them made during the "bubble" years of the late 1980s; the remainder to be disposed of consists of Y23bn in loans to affiliated non-bank financial institutions, and Y9bn to the country's now bankrupt housing loan companies.

The liquidation of the housing lenders is currently under consideration by the Japanese government and parliament.

The plan proposed by the authorities calls for banks to write off a substantial portion of their lending to the companies as soon as possible. The bank plans to cover Y28bn of the write-offs from its core banking profit for the year, and a further Y12bn from sales of securities. The balance represents the recurring loss.

Regional banks are as yet not required to disclose much more than limited details about their nonperforming loans, but Mr Yamashiro said yesterday that total bad loans, including so-called restructured loans, where the interest rate has been cut to keep a borrower afloat, would be Y178bn at the end of March.

The recurring loss, which is bigger than the bank's combined recurring profit for the past five years, will give new urgency to the company's continuing rationalisation programme, designed to cut payroll numbers by 10 per cent over the next two years. Officials said yesterday the bank would close four of its overseas offices as part of the restructuring, including the New York branch.

Hokkaido Bank, based in Sapporo in northern Japan, operates 143 branches at home and abroad.

In the year to the end of March 1995 it reported recurring profit of Y3.563bn, and after-tax profits of Y1.561bn from total assets of Y3,400bn.

Egyptian beer reaches out to foreign parts

Cairo today opens the envelopes containing bids for the Al Ahram brewery, writes James Whittington

Foreign investors' jokes about the Egyptian government not being able to organise a "knees-up" in a brewery will fall flat if the plan to privatise Al Ahram Beverages, the state brewery, is seen through to a successful conclusion.

Having read technical bids submitted by two locally-led consortiums hoping to buy the monopolistic brewer, the state vendor will today open the most sensitive element of the sale – the price envelopes.

If one of the bids is successful, then Egypt's beer market is likely to be opened up to a foreign brewer looking to develop a new market. At the moment, foreign beers are imported on a small scale and attract a high rate of tax.

Despite having been criticised by the International Monetary Fund and the World Bank for dragging its feet on privatisation since the beginning of economic reforms in 1991, the Egyptian government has been noticeably reticent about this particular sale.

If it goes through it will be only the fourth, but the biggest, public sector company, out of more than 300, to be fully privatised.

For a Moslem country, whatever its liberal leanings, there is a natural tendency to be discreet about dealing with alcohol, which is banned by the Koran. But there is also an inbred relnctance from the company and its owner, the Housing, Tourism & Cinema Holding Company – which is being advised on the sale by Arthur Andersen – to change the cosy public sector arrangement.

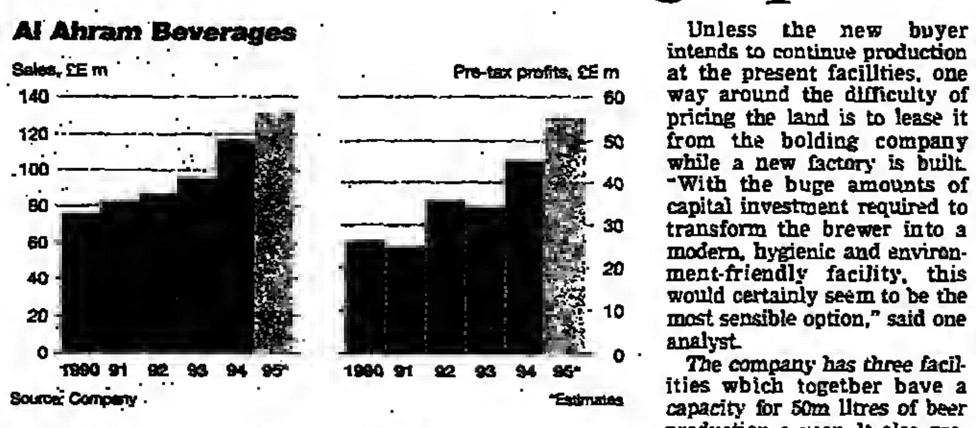
Most of Egypt's privatisations have been carried out in partial form through the Cairo stock exchange with the sale of 10 per cent tranches to local and foreign retail and institutional investors.

Fearing a backlasb from Islamic critics the government shied away from putting the brewery on the bourse and called for an anchor investor who would bring technical know-how to modernise and upgrade the facilities.

The two local bidders are institutional investors who have promised to bring in technical assistance, or form a partnership with a foreign brewer, if they succeed in buying the company.

The favourite appears to be a consortium comprising the Egyptian Finance Company and Al-Ahly for Development & Investment, which is seeking to buy a 70 per cent majority stake leaving 10 per cent for employees and 20 per cent with the holding company.

The other bidder wants to take a 90 per cent stake, but has raised eyebrows among Cairo's financial community since it is a consortium of public sector financial institutions led by National Bank of Egypt in partnership with another holding company. If successful, sucb a sale would in effect transfer state assets from one part of the public sector to another.



The vendor says the list of foreign brewers which the two bidders say have shown an interest in working with them if they buy the facility include the Dutch company Heineken, Denmark's Carlsberg, Germany's Holsten and Miller of the US.

Much depends on today's opening of the price offers. The valuation of state companies has been one of the prime reasons for Egypt's slow pace of privatisation.

Chairmen of the 17 bolding companies set up to carry out state sales and ministers have found it difficult to agree on suitable prices for public companies which are not too high to turn away potential buyers and are not too low for them to be accused of selling on the cheap.

"A valuation of a state company like this is basically guesswork. All the assets have depreciated down to zero a long time ago and on an accountancy basis what will be paid is goodwill," said one financial analyst in Cairo.

According to Mr Hamed Fahmy, chairman of the bolding company, the top end of a series of valnations of Al Ahram Beverages made by Bechtel, the US consultants, was E£450m ($133m).

But this includes the company's real estate valued at current prices. Like many public sector industries, the company's properties consist of prime sites in Cairo and Alexandria. In its unaudited 1995 results, the net worth, with assets including real estate at historical values, is put at E£108.7m.

Unless the new buyer intends to continue production at the present facilities, one way around the difficulty of pricing the land is to lease it from the bolding company while a new factory is built. "With the buge amounts of capital investment required to transform the brewer into a modern, hygienic and environment-friendly facility, this would certainly seem to be the most sensible option," said one analyst.

The company has three facilities wbich togetber bave a capacity for 50m litres of beer production a year. It also produces soft drinks. Last year, unaudited profits before tax were E£55.3m on sales of E£132m, compared with pre-tax profits of E£45.4m on sales of E£117.2m in 1994.

Both bidders have said there will be no forced redundancies but this has not dampened deep feelings nf apprehension among tbe 3,000 employees. "After decades of state control our workers are blind to the future," explained Mr Sami Herakli, head of the brewer's research and quality control department.

"They fear tbey will lose their security and privileges and their salaries will be cut," be said.

A decision on the sale is expected to be announced by the end of March, after which the successful bidder will enter a three-month period of due diligence with a foreign partner before presenting a strategy for the brewery. This requires final approval before the deal is closed.

Philippine Airlines doubles its losses

By Edward Luce in Manila

Philippine Airlines (PAL), the ailing national carrier, more than doubled its losses to 2.04bn pesos (US$77.9m) during the first nine months because of higher maintenance costs and a share dispute with the government which has prevented it from raising fresh capital.

Mr Jaime Bautista, chief financial officer of PAL, said yesterday that losses on routes to Europe had been worsened by the airline's inability to raise money to buy new aircraft, which would have allowed PAL to fly non-stop on long hauls and eliminate stopover charges. Competition in the recently-liberalised domestic market also hit revenues.

PAL's 2.04bn-peso deficit exceeds its full-year projection of a 1.72bn-peso loss in net income for the year ending March 31. However, Mr Bautista indicated yesterday that the dispute between Mr Lucio Tan, chairman of the airline, and government shareholders, which have a 33 per cent direct stake in the carrier, appeared to have abated.

The airline, which has been prevented since March 1995 from increasing its capital base pending a court ruling on the dispute, said yesterday it had secured a $500m syndicated loan from Philippine banks to buy new aircraft.

The government last December approved "in principle" Mr Tan's proposal to issue 1bn new shares in PAL at 5 pesos each and to waive its rights to purchase the fresh equity. This would allow Mr Tan to raise his stake in the airline to 51 per cent and assume full control. It is not clear when the rights issue will be.

The dispute between Mr Tan and the government started last March when the government contested Mr Tan's right to speak for its shares in a holding company – PR Holdings – which owns 51 per cent of the airline. PR Holdings is 51 per cent owned by Mr Tan, while government institutions have a 20 per cent stake. Under December's deal PR Holdings would be dissolved.

ASIA-PACIFIC NEWS DIGEST

Deloittes in error on BankWest float

An "administrative error" by the Deloitte share registry service, handling the flotation of Perth-based BankWest, has left some bank customers without share allocations on the eve of the company's stock market listing. The public offer for sale of 49 per cent of the bank's shares, after its purchase by Bank of Scotland, was beavily oversubscribed, but bank customers were to have been given preference.

However, the share registrars apparently put a number of bank customers in the general ballot and, as a result, they failed to get stock. According to BankWest, Deloittes has conceded the error and agreed to rectify it at its own expense – even if this means buying shares in the market wben trading starts today. BankWest said it could not quantify the number of bank customers who had been subject to the error but, based on telephone calls and fax messages, it was "more than just a handful". The shares were due to start trading at 8am Perth-time today, and were widely expected to reach a significant premium over the A$2.05 a share offer price.

BankWest was sold by the Western Australian state government to Bank of Scotland for A$900m (US$668m) late last year. The UK bank, whicb will retain a 51 per cent interest in BankWest, stands to recoup around A$438m (before expenses) from the flotation. *Nikki Tait, Perth*

Chinese small businesses for sale

Chinese authorities have given permission to foreign investors to buy the assets of some small state-owned enterprises in southern Guangdong province. The relaxation of restrictions of foreign ownership of state assets is part of a drive to rid the government of the burden of supporting large numbers of loss-making enterprises.

Guangdong said it had 32,163 state-owned industrial enterprises, of which 95 per cent were small-scale. However, about two-thirds were in the red, in part because of poor management and obsolete technology. The enterprises may be merged, annexed by larger companies, sold or declared bankrupt, it said. *Agencies, Beijing*

Foster's extends Mildara bid

Foster's Brewing Group, the Melbourne-based beer company, said it would extend its takeover bid for Mildara Blass, the largest listed independent winemaker listed in Australia, by 14 days to February 23.

It would offer early payment for shareholders who accepted before February 9. Foster's said it had received acceptances for 17.6 per cent of Mildara shares by Tuesday. Foster's is offering A$7.75 cash per share, valuing the premium winemaker at A$487m (US$361m), in a bid whicb has been recommended by its directors in the absence of a more favourable offer. Big institutional sbareholders and the privately-owned scotch whisky distiller William Grant and Sons, which has 10.3 per cent, have not yet accepted the offer. *Reuter, Melbourne*

Chinese airline 'plans listing'

China Southern Airlines, one of China's three leading carriers, will need $2bn in the next five years to purchase 20 to 25 large passenger aircraft and expand its business, the Hong Kong Economic Journal reported. "A portion of the money needed will be raised from a planned share listing in New York," Mr Zhu Deci, a senior adviser of the mainland airline, was quoted as saying.

Preparation work for the listing bad basically been completed, Mr Zhu said, but be could not give a specific timetable since details were still awaiting relevant authorities' final examination and approval. *Agencies, Hong Kong*

Indonesian telecoms partners fall out

By Manuela Saragosa in Jakarta

The Indonesian consortium selected to install new lines for one of Telkom's five regional telephone service contracts is holding talks with other international phone operators following a dispute with Telekom Malaysia, its original partner for the project.

Under the regional contracts arranged last year by Telkom, the Indonesian domestic telecoms operator, five consortia were selected to install new lines in various parts of Indonesia. Each of the consortia was assigned a contract, called a KSO, which required it to work with an international telecommunications company.

Officials at Daya Mitra Malindo, the Indonesian cousortium selected to install 237,000 new lines on Kalimantan, declined to name the international phone operators they are in talks with. However, it looks increasingly as if Telekom Malaysia will be dropped from the joint venture altogether.

An official at Daya Mitra Malindo who requested anonymity said differences between the consortium's Indonesian sbareholders and Telekom Malaysia "look like they may not be resolvable," and that there bave been "discussions with other public telephone operators in the event that the matter with Telekom Malaysia is not resolved."

Telekom Malaysia said there had been nn communication from Daya Mitra Malindo on the subject and that it was "too early to comment.

The disagreements between the two parties centre on paid-up capital and a performance guarantee which Daya Mitra Malindo's Indonesian sbareholders want Telekom Malaysia to provide.

The dispute has created "bad blood" between the two parties, the Daya Mitra Malindo official said. As a result, the consortium and Telekom Malaysia were not able to start their 15-year assignment for the Kalimantan KSO at the beginning of this year as they were supposed to.

It is not clear how this delay will affect Telkom's earnings – the Kalimantan KSO is tbe smallest of the five contracts which pledge to install a total of 2m lines – although the KSOs are widely recognised as being critical to Telkom's earnings growth.

MIM Holdings result hit by mine shutdown

By Bruce Jacques in Sydney

Profits at MIM Holdings, the Australian mining group, have been hit by extended industrial action last year at the company's Queensland base metal and coal operations.

The company yesterday reported a 26 per cent rise in net profits for the first half to December, from A$43.4m to A$58.9m (US$43.7m), on a 19 per cent rise in revenues from A$1.13bn to A$1.34bn. The Interim dividend is held at 2.5 cents a share.

However, the rise in profits relied on abnormal profit up from A$19.3m last time to A$43.4m, on the sale of shares in Metallgesellschaft, the German mining group, and restructuring of MIM's German debt.

Before abnormals, the company's gross operating profit declined from A$57.2m to A$43.5m. Directors said industrial action which caused a mine and plant shutdown last year had forced the company to purchase metal products to maintain contract supplies.

"Inventory distortions bave severely impacted on the first half results, a direct consequence of the industrial problems last year. The impact of these distortions will be recovered in future periods, as sales volumes relate more closely to production volumes."

Prices received for most of the company's products improved in the year, with copper up 17.1 per cent, lead 8.2 per cent, zinc 2.3 per cent, gold 8.9 per cent, silver 7.8 per cent and coking coal 15.1 per cent.

The result followed a tax provision of A$29.4m, compared with A$31.6m last time. Depreciation rose from A$100m to A$113.6m while interest costs fell from A$41.9m to A$34.5m.

THE HANSON DEMERGER

More enthusiasm inside the company than out

FT writers report on the reaction of management, analysts and shareholders

Derek Bonham, chief executive, left, with Lord Hanson before the annual meeting at which the demerger plan elicited few comments

Ashley Ashwood

Hanson's demerger plans yesterday were attracting considerably more enthusiasm inside the company than outside it. The group's managers, who learned of the proposal only hours before it was announced on Tuesday, welcomed the opportunity for each division to stand or fall on its own merits.

Mr Bill Landuyt, future chairman and chief executive of the chemicals offshoot, said yesterday: "People like the chairmen of Quantum and SCM would be much more motivated, with their personal wealth linked directly to the performance of their businesses through share options."

On the stock market, however, Hanson's share price fell 8¾p to 202¾p, more than wiping out its gain on Tuesday. There is thought to have been heavy selling by income funds, reflecting the expectation that total dividends will fall following the demerger.

The shares were further undermined by downbeat assessments from leading analysts, most of whom calculate the value of the demerged groups at below the current share price.

Hanson's announcement also received a sceptical response from investment managers. One said yesterday: "We have about a 2.5 per cent weighting in the company. We are not very impressed with Hanson. It's totally unclear what is in this deal for shareholders."

He continued: "It gives Hanson a get-out on the dividend. This move reflects the whims of a management on its way out. They have a lot of mediocre quality businesses and it is hard to see how any one of them is going to be worth more on their own."

Another institution said: "There are costs involved – the cost of borrowing goes up, the credit rating goes down."

A third commented: "We are very underweight. We have a stake because we have bought a few shares from time to time, but we have never really been able to understand the company. We have never been able to get the bits to add up to the total. We don't know the valuations of the four companies. Where are they going to dump the debt? Imperial may be a good company, but not if it's carrying all the debt."

Bondholders have been especially wary after US credit rating agencies cut ratings or signalled a possible downgrade.

One UK investment manager said yesterday: "We are lucky we've been able to sell the bonds. We've been selling down over the past year. The quality of the debt cover will be impaired. Bondholders will be jumping up and down and equity holders aren't exactly over the moon either."

So far, Hanson has told bondholders only: "The balance sheet and funding for each new business will be carefully structured in order to secure a suitably balanced financial profile for each company, taking account of its earnings and cash flow characteristics."

At Hanson's annual meeting, meanwhile, the demerger plan elicited few comments.

One shareholder asked the chairman: "Now that the Lord has decreed that we should be hung, drawn and quartered, does that mean the shares will be too?" Lord Hanson replied: "Quartered, yes, but not hung and drawn".

Another small private investor told Lord Hanson he figured it made the shares worth 600p. The chairman said he could not comment on that valuation but, referring to earlier criticism of the group's all-male line-up of directors, added: "I thank you. If you were a woman, we'd have you on the board."

■ CONGLOMERATES · By Martin Dickson

Rumours of their death exaggerated

By Martin Dickson

First America's ITT, now Britain's Hanson. Do the decisions by these two classic conglomerates to break themselves up spell the death knell of this corporate life form?

The short answer is no, but the break-ups do underline changes in the business environment and investment fashion which mean conglomerates must work much harder than in the 1980s and 1970s to justify their existence.

It is difficult to talk of the conglomerate's death when some of the world's most successful businesses have many of the characteristics of the breed – a collection of unrelated, or loosely related businesses, built up by acquisition.

Take General Electric, with interests from aero-engine manufacturing to television broadcasting. It has become the largest company in the US, by market value, thanks to a long period of consistently strong financial results.

Hanson, in its classic 1980s form, represented a distinctly different kind of conglomerate: a predatory company with an emphasis on taking over under-performing, preferably low-tech manufacturing businesses, selling on some of the assets and making the remaining operations sweat.

In the UK, the same tag has attached itself to a handful of companies in the diversified industrials sector, notably those run by former employees of Hanson, such as Tomkins, Wassall and TT Group, though each would say its strategy is more focused than Hanson's.

That claim would also be made by BTR, with its emphasis on engineering, and Williams Holdings, both of which were extremely aggressive acquirers in the 1980s but have recently been trying to shake off the conglomerate tag by focusing on core businesses.

Analysts yesterday agreed that Hanson's decision was due largely to its particular problems: it appeared to lack direction and a clear successor to Lord Hanson; the chairman; it had grown too bulky; and it had become increasingly involved in highly cyclical sectors (natural resources and chemicals), while suffering from weak cash flow and a high dividend policy.

However, its fate does underline difficulties for the class as a whole:

- Size matters. The larger a conglomerate, the harder it is to find acquisitions which will significantly improve earnings, and to run its existing operations efficiently.
- Investors' attitudes have changed. Fund managers tend to focus on particular sectors, while the excitement generated in the 1980s by the conglomerate takeover wave has long faded. Mike Murphy of SBC Warburg points out that Hanson's share price relative to the UK market peaked in 1986, when it was on a premium of almost 100 per cent. Today most conglomerates have price/earning ratios clustered around the market average.
- Companies are more tightly managed, thanks to recession, global competition and shareholder pressure, making it harder to find poor performers on which to pounce.

Yet, badly managed companies will never cease to exist, thus preserving a role for the corporate predator. And, as Mr Chris Miller, chief executive of Wassall, points out, a conglomerate's fate comes down largely to the quality of its management. "Some are successful and some are not. How you manage your portfolio is what is important."

Hanson's break-up could actually help the UK conglomerates, since its poor share price performance has held back the sector's rating. So too could an economic slowdown which highlighted the defensive benefits of their diversity.

Says analyst Mark Cusack of UBS: "Its easy to tar the sector with the conglomerate brush, but that gives valuation anomalies which investors should be able to exploit."

See Lex

■ VALUATION · By David Wighton

Break-up value below share price

Leading analysts yesterday published research which puts the stand-alone valuations of Hanson's four businesses at well below the current share price.

Very few brokers reached figures above 200p with some below 180p, compared with yesterday's closing price of 202¾p, valuing it at £10.5bn.

Valuations for the four businesses, before debt, are in the £2bn-£4.5bn range for chemicals, £4bn-£4.5bn for energy, £2bn-£3.5bn for tobacco and £2.5bn-£3bn for building materials. After debt of about £3.5bn, post the disposals already announced, this gives a total of £7bn-£12bn.

SBC Warburg, which at yesterday's opening had changed its recommendation to sell, reached a value of 181p.

Moreover, Warburg has not adjusted for the expected rise in the demerged companies' overall tax rate, which several analysts estimate would increase from about 24 per cent now to nearer 27 per cent.

On the other hand, Warburg has made no allowance for any of the demerged companies attracting a bid premium. This might push the combined value to 200p.

Mr Andrew Mitchell at Merrill Lynch estimated the break-up valuation at 187p and changed his recommendation from "neutral to modestly negative" at yesterday's opening level of 211½p. He said adding in a bid premium could take the figure to just over 200p.

One of the few higher valuations came from James Capel where Mr Paul Beaufrere arrived at 224p. He was cautious about the shares in the short-term, maintaining his "neutral" recommendation, and said he would expect the demerged groups to trade at a slight discount to the valuation initially.

One reason his estimate is higher than most is because of a more generous valuation for the chemicals businesses. Although pessimistic about Quantum's short-term profit outlook, he is more bullish than most about its value. He values Quantum at 11 times historic earnings and the other chemicals businesses at 15 times, giving a total, including debt allocated according to size, of £4bn. NatWest Securities' most optimistic estimate for the chemicals company is £2.9bn, debt free.

Mr Beaufrere has also ignored the issue of Hanson's provisions for environmental claims on the grounds that break-up valuations should be based on published profits. Hanson's provisions result in a cash drain of more than £200m a year but do not affect the profit and loss account.

NatWest reduces its total valuation by between £1.2bn and £1.5bn, to take these into account, while Warburg, which forecasts cash provision utilisation of £300m this year, takes off almost £2.5bn.

NatWest, which moved its recommendation from reduce to sell, produced a range of valuations stretching from 180p at the high end to just 137p. In the worst case. It concluded that an 18 per cent bid premium to its most optimistic figure – compared with the then market price of 212p - was not justified, given the "limited bid attractions" of the component businesses.

Particularly disappointing for Hanson may be the valuation analysts are attributing to Eastern. Hanson argues that subsequent takeovers in the electricity industry imply it bought Eastern cheaply, but most analysts believe its market value when separated would be less than the £2.5bn, including debt, Hanson paid.

■ THE DIVIDEND · By David Wighton

Sector yields imply dividends will fall

An important factor behind the slide in Hanson's share price yesterday was investors' assumption that dividends will fall following the demergers.

Hanson has said that each of the demerged companies would pay a dividend "relative to other companies within its sector and to its financial condition and structure".

Since Hanson's current yield of more than 7 per cent is higher than the average for any of the four companies' sectors, the City has taken this as implying a likely reduction in the aggregate dividend.

The only company which might be expected to have a yield close to the current level would be the energy business. Yields on other UK regional electricity companies range from about 5 per cent to just over 7 per cent for the highly geared Northern Electric.

For the tobacco business the only benchmark is now BAT Industries, which yields only 5 per cent, though that is partly due to its large financial services business.

Analysts suggest something nearer 6 per cent for Imperial.

The average yield for the rump building materials sector, which accounts for the bulk of the Hanson rump, is less than 5 per cent, while most US-quoted chemicals companies offer no more than 4 per cent.

Working through these numbers suggests that if the four companies did set their dividends relative to other companies with their sectors total payments might fall by a third. Few analysts expect such a steep cut, but the prospect explains why some income funds have been selling Hanson shares.

COMPANY NEWS: UK

Elf Aquitaine and Enterprise reorganisation

By Robert Corzine and Antonia Sharpe

One of the more complicated corporate relationships in the North Sea oil industry came to an end yesterday when Elf Aquitaine, the French oil company, and Enterprise Oil, the UK explorer, "reorganised" their lossmaking Elf Enterprise Petroleum joint venture.

Elf Enterprise Finance, a subsidiary of EEP, raised about £229m from selling its 12.9 per cent stake in Enterprise Oil to BZW, Cazenove and Commerzbank, which later sold them to institutional investors.

BZW and Cazenove were also appointed to act as Elf Enterprise Finance's agent in the repurchase of £407.8m worth of exchangeable bonds, the largest buy-back of such bonds in the sterling market to date.

The banks bought the 63.7m shares at 360p each, a discount of 5.5 per cent to the closing price on Tuesday of 381p. They then made a profit of about £2.5m by selling the shares to institutional investors in the UK and abroad at 364p each.

Elf and Enterprise said there would be no impact on the three North Sea fields operated by EEP. Elf will continue to run the Piper, Saltire and Claymore fields, as well as the Flotta oil terminal in the Orkney Islands. The two companies will convert their EEP ownership into direct interest in the assets.

EEP was formed in 1991 as a vehicle for the £1.35bn purchase by Elf and Enterprise of the North Sea assets of Occidental Petroleum.

The creation of a joint venture was intended to end the uncertainty about Elf's plans for Enterprise, in which it held a quarter of the shares.

In recent years the new management at Elf questioned whether the joint venture was a core activity to the heavily-indebted group.

Elf yesterday confirmed that the end of the joint venture would substantially ease its debt burden.

Enterprise said it will make a £25m provision in its 1995 results to reflect the difference in the sale price of the shares and their carrying value of 477p.

Shares in Enterprise closed 13p down at 368p. Analysts generally welcomed the move, but Moody's, the international rating agency, placed Enterprise's A3 credit rating under review for potential downgrade because of the £118m of net debt the company will assume because of the demerger.

Appointee to take responsibility for corporate governance issues

Warburg chief to head Pru funds

By George Graham, Banking Correspondent

Prudential Corporation yesterday recruited Mr Derek Higgs, managing director of the investment bank SBC Warburg, to chair its fund management arm and strengthen its voice on corporate governance issues.

Mr Higgs will succeed Mr Hugh Jenkins as head of Prudential Portfolio Managers, Britain's biggest institutional investor with £76bn under management.

Mr Peter Davis, Pru chief executive, said yesterday it would have to be more accountable to the public for its influence in the boardroom.

"We needed someone big enough to talk about corporate governance issues, telling a FTSE-100 chairman that he shouldn't also be chief executive, or a chief executive that he shouldn't be chief executive, which Derek is big enough to do," Mr Davis said.

Mr Davis said he had decided last year to split the chairmanship of PPM from the fund management responsibilities.

Mr Higgs was the only candidate to whom he had formally offered the job.

Mr Higgs said he had not been willing to accept the PPM job last summer, as he did not feel able to leave Warburg in the first weeks after its takeover by SBC.

Ashley Ashwood

Derek Higgs, left, with Peter Davis: need to be more accountable

North American purchases help Allied Textiles rise 11%

By Motoko Rich

A full contribution from North American acquisitions helped Allied Textile Companies buck the sector's trend to raise pre-tax profits 11 per cent in the year to September 30.

While several textile companies have warned that 1995 profits would fall below or in line with the previous year's figures, Allied lifted pre-tax profits to £18.9m ($29m), against £17m, on sales up 26 per cent to £211.4m.

Mr John Corrin, chief executive, said the group was helped by its geographic and product spread. "If the customer wants polyester instead of wool, we don't mind because we make both."

Operating profits from textile activities increased 12 per cent to £16.5m. Profits from the property portfolio added £2.4m, virtually unchanged from last time.

Mr Corrin said £30m of the sales increase was due to a 12 month contribution from 1994's North American acquisitions, as opposed to seven months last time. Overseas sales, which rose to 52 per cent (43 per cent) of turnover, outstripped UK sales for the first time.

The group's first published sectoral breakdown showed that the natural fibres division suffered margin pressure from increased raw materials costs. However, profits in synthetic fibres rose 36 per cent. Profits in the carpet division, which incurred £400,000 redundancy costs, were flat.

Gehe holds talks with Lloyds

By Patrick Harverson

Lloyds Chemists, the pharmaceuticals retailer, has held "friendly" talks with Gehe, the German drugs wholesaler which is considering whether to make an offer for the UK group.

Samuel Montagu, the merchant bank advising Lloyds, said the discussions with Gehe had been amicable and that it was possible there would be further talks.

Lloyds is already the subject of an agreed £528m ($813m) takeover bid from UK drugs wholesaler UniChem. Yesterday it advised shareholders not to accept the 408p-a-share UniChem offer until Gehe had decided whether or not to table a rival bid.

Ashanti stake sale

The government of Ghana is seeking parliamentary approval to sell part of its 28 per cent holding in Ashanti Goldfields, privatised in 1994.

It was unclear how many shares would be sold – each 1 per cent would raise about $20m – but the government has assured Ashanti that it wants to retain more than 20 per cent.

LEX COMMENT

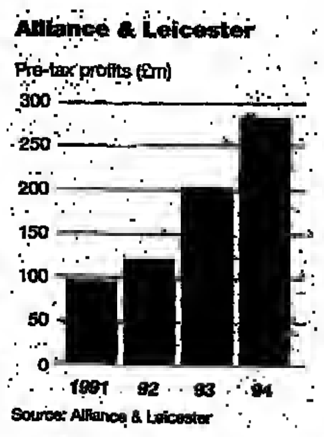
Alliance Leicester

Alliance & Leicester may claim it is pushing through its conversion to bank status, ahead of the Halifax and the Woolwich, because of enthusiasm for the project. But equally pressing is the need to lessen its exposure to predators. After flotation, new banks have five years of takeover protection. If they have not achieved critical mass by then, they will be sitting ducks. The decision to go public will not necessarily forestall hostile approaches before conversion. It would be hard for any management to turn down a substantial premium to the group's flotation price. The prospect of paying more than two times book value will certainly discourage potential suitors, but A&L's diversification – more than 40 per cent of its business is non-core – makes it one of the more attractive targets.

Its Girobank subsidiary is a possibly undervalued gem. The market leader in cash-handling services – its retail business having been subsumed by the building society – Girobank generated pre-tax profits of nearly £70m in 1994. It could be sold as a separate business, helping to finance a takeover.

And although the society is well run, its 68 per cent cost/income ratio leaves plenty of room for cost-cutting.

This is the nub of the problem for all the societies. With core markets stagnant, financial services businesses need to boost earnings by cutting costs – which is much easier through consolidation. Medium-sized societies like A&L face a tough fight for independence.



Source: Alliance & Leicester

Fyffes rises despite banana price war

By Deborah Hargreaves

Fyffes, the Dublin-based fruit and vegetable distributor, boosted pre-tax profits by 16 per cent from I£36.1m to I£42m ($67m) last year, in spite of being caught in a retail price war for bananas in the second half.

Fierce competition between supermarkets pushed the price of bananas down to 19p per lb late last year – nearly half the cost price.

Fyffes jointly acquired the banana operations of its rival Geest three weeks ago and will complete a strategic review of these operations in six to eight weeks' time.

The joint venture set up with the Windward Island Banana Development Company was considering options for the two large ships which came with the £147.5m buy and a farm in Costa Rica. "We may not just sell the ships, but swap them for something of a different size," said Mr John Ellis, managing director of Fyffes UK.

The Geest deal was the latest in a line of acquisitions pursued by Fyffes in the last 18 months towards becoming an important competitor in the fresh produce market in Europe, particularly in Germany, the Netherlands, Spain and Scandinavia.

The company pointed out that cash flow had remained strong. Last year it was boosted by I£15.7m to I£68m from the sale of Vangen, its logistics business. After the purchase of the Geest operations, net cash will reach about I£35m this year.

RESULTS

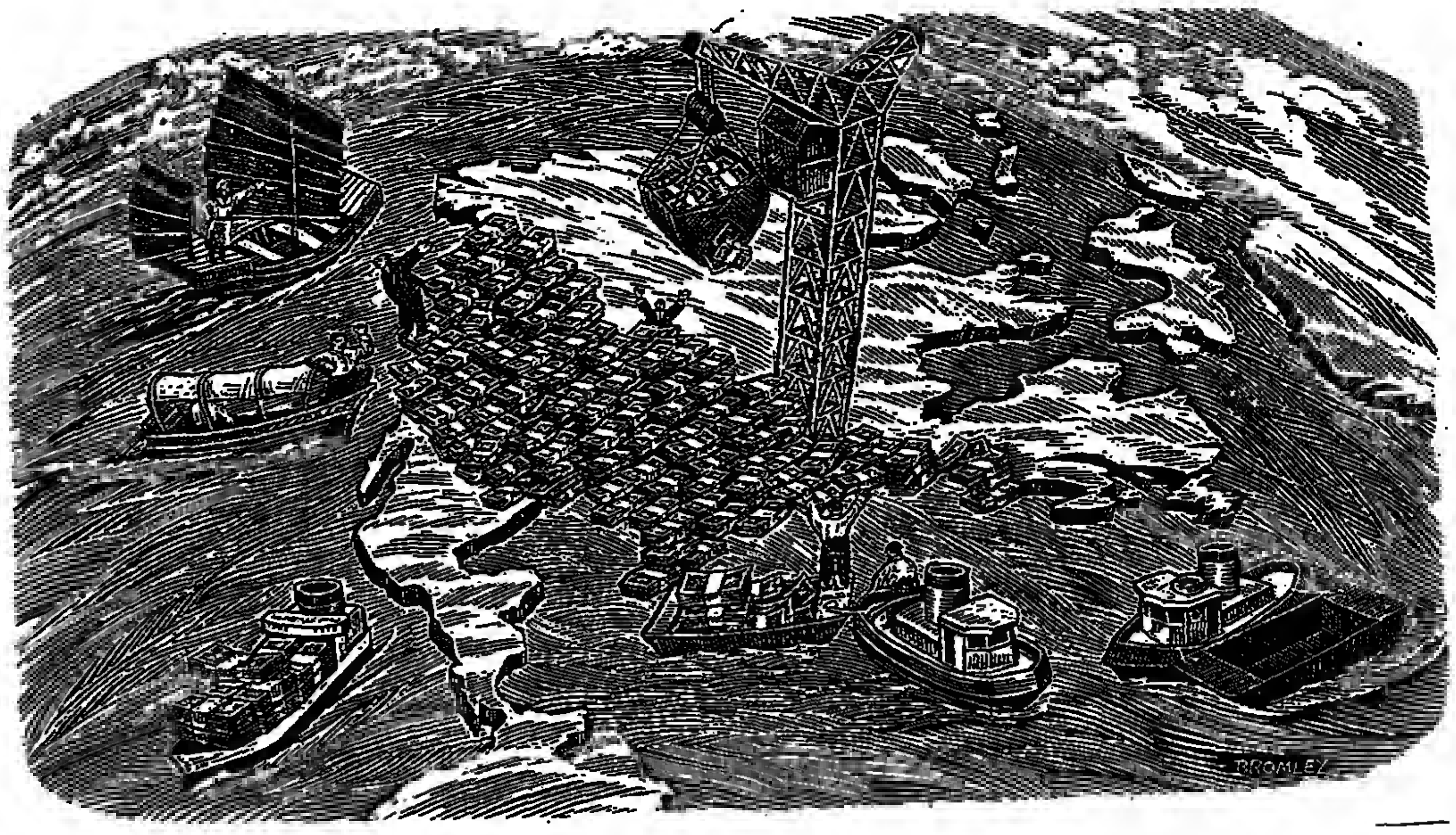
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Textile	Yr to Sept 30	211.4	(168.3)	18.9	(17)	19.5†	(18.1)	4.8	Apr 1	4.4	7.3	6.8
Anglo United	5 mths to Sept 30	92.6	(90.2)	10.2L	(3.2L)	1.2L	(0.4L)	-	-	-	-	nil
Ashtead	6 mths to Oct 31	43.1	(31.9)	8.68	(6.58)	6.8	(5.2)	0.65	Apr 6	0.53	-	2.5
Ball (AH)	6 mths to Sept 30	4.3	(4.5)	0.076	(3.71L)	0.84	(40.87L)	nil	-	nil	-	nil
Beales Hunter	6 mths to Nov 30	32.5	(28.1)	1.61	(2.39L♠)	10.9	(12.3L)	2.9	Mar 1	2.75	-	10.2
Bucknall	5 mths to Oct 31	13.05	(8.61)	0.261	(0.105)	1	(0.5)	-	-	-	-	-
Cavaghan & Gray	6 mths to Oct 31	25.5	(20.2)	1.13L	(0.721)	6.52L	(4.15)	1.5¥	Apr 9	1	-	2.2
Consolidated Coal	6 mths to Sept 30	0.137	(-)	0.178L	(0.244L)	0.8L	(0.4L)	-	-	-	-	-
Copyright Promotions	6 mths to Oct 31■	3.28	(1.2)	0.177♥	(0.169♥)	1.7	(1.1)	0.5	Apr 2	-	-	1.5
Dyson (J&J)	6 mths to Sept 30	26	(23.2)	0.815	(0.683)	3.98	(3.46)	1.5	Apr 1	1.5	-	4
Eurodis Electron	6 mths to Nov 30	128.2	(58.9)	14.1♥	(2.49)	26.15†	(6)	1.85	Apr 9	1.55	-	4.15
Fyffes ♣	Yr to Oct 31	1,188	(897)	42	(36.1)	7.91	(7.02)	1.195	Apr 17	1.0864	1.6674	1.5158
Peel	6 mths to Sept 30★	32.2	(32.9)	4.94	(3.23)	3.6	(1.88)	2	Apr 9	1.7	-	5.5
Porvair	Yr to Nov 30	38.9	(24.8)	5.12	(3.11)	18†	(13.7)	3.7	Apr 9	3.2	5.4	4.8
Zetters	5 mths to Sept 30	10.5	(11.7)	0.593	(0.69)	5.9	(6.9)	5	Mar 6	5	-	10
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Asia Healthcare	11 wks to Sept 30	93.3	(-)	0.013	(-)	0.08	(-)	-	-	-	-	-
High Income	6 mths to Dec 31	88.91	(92.25)	0.787	(0.706)	3.46	(3.1)	1.6	‡	1.6	-	6.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. ★Comparatives restated. ‡Already paid. ■Comparatives for 77 days to October 31 1994. ¥Includes 0.5p on Dalepak capital in issue prior to merger.

ACCESSING THE US CAPITAL MARKETS

Only in America are resources this deep

The world's biggest economy boasts the most flexible and liquid pools of corporate funding. But foreign issuers have to adapt to suit US investors, not vice versa, writes Maggie Urry



Willie Sutton, the famous US bank robber, was once asked why he robbed banks. Because that is where the money is, he replied.

The same answer might be given to companies or borrowers wondering why they should seek to tap the US capital markets. The Securities Industry Association estimates that the US capital market is the largest in the world, with issued debt and equity, both public and private, worth more than $15,000bn.

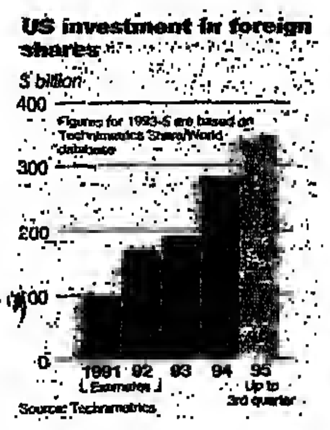
It is a particularly auspicious time to raise capital in the US. American stock and bond markets rallied strongly last year, encouraged by declining interest rates and the prospect of further falls. Yields are relatively low, price/earnings multiples are high, and new issues of debt and equity have been well-received.

US investors are increasingly diversifying their portfolios outside America, believing that domestic markets cannot repeat their 1995 performance in 1996. And they are trying to find better value than is available from domestic issuers.

Thus there is good demand in the US for paper from foreign entities. On the other side of the equation, many of the latter have a great need to raise capital.

Businesses located in developing countries, for instance, often find their own markets cannot meet their need for cash. Mr Alvaro de Souza, executive vice-president in charge of Citicorp's cross-border finance group, says: "The on-going need for capital in the emerging markets cannot be met domestically."

US investment in foreign shares



He adds that emerging market issuers raised $69bn in capital markets outside their home countries in 1995, showing there is "continued investor appetite" for these capital raisings. This is despite the economic problems Mexico faced at the end of 1994, which precipitated a crisis that investors are only just beginning to forget.

The worldwide trend for the privatisation of state-owned assets has driven many companies to sell their shares in the US and other international markets. Few domestic markets can supply the large amounts of capital it takes to buy a national telecommunications company from a government, for instance – at least not at a price which represents good value for taxpayers.

In 1995 privatisations accounted for 42 per cent of the capital raised through issues of American Depositary Receipts, according to statistics from Citicorp. The leading issuers included ENI, the Italian oil and gas group, SGS-Thomson Microelectronics, the Franco-Italian semiconductor maker, KPN, the Dutch post and telecoms company, and Telefónica de España, the Spanish telecoms group. This year's privatisation of the German telephone utility Deutsche Telekom is expected to be a blockbuster.

The surfeit of state sell-offs, especially of telecommunications groups, is beginning to tire investors. Last autumn Indonesia's PT Telkom had to scale back its offering because of poor demand. It will be interesting to see how Deutsche Telekom's issue is received.

Emerging country issues and privatisations aside, a good range of private companies from developed nations are seeking to sell shares or to raise debt in America.

They often believe that a US listing will broaden their shareholder base and increase the valuation of their stock. That reduces the future cost of issuing new equity, and of making an aquisition in which the issuer uses shares to pay for the purchase.

Research by Professor René Stulz of the Ohio State University suggests companies can raise money more cheaply if they have a US listing. In an article for the Journal of Applied Corporate Finance, Professor Stulz asserts: "The progressive integration of international financial markets is bringing about a significant reduction in the cost of capital to public corporations around the world."

Professor Stulz studied the effect of the removal of restrictions on foreign ownership of Nestlé shares in 1988. After the Swiss foods group allowed foreigners to buy its stock, the price soared, and Professor Stulz found Nestlé's market value showed "an increase of 10 per cent, which is consistent with a significant decrease in its overall cost of capital".

As non-US companies head for the American stock markets there has been a rise in the number of companies listed there. The number of foreign companies listed on the New York Stock Exchange has doubled in the last three years.

Even so, Mr Richard Grasso, chairman of the NYSE, regards foreign companies as providing the greatest potential for growth in listings on the Big Board. He says that if a third of all those non-US companies which are eligible to list on the NYSE did so, then the exchange's market capitalisation would double from its current $6,000bn.

The three US stock markets are each aiming marketing campaigns at non-US companies, eager to offer them the chance to sell shares to American investors.

Companies unwilling or unable to register with the Securities and Exchange Commission and achieve a listing on either the NYSE, the National Association of Securities Dealers Automated Quotations (Nasdaq) market or the American Stock Exchange can join the so-called "pink sheets" market, the OTC Bulletin board, or resort to private placements of equity.

The US markets also have advantages for those seeking debt rather than equity capital. Many companies with American subsidiaries use them to raise dollar debt to hedge their dollar assets. Other borrowers use the swaps market to convert low-cost US debt into cheap borrowings in their home currency.

The country's debt markets offer greater flexibility in structuring issues than many counterparts. Investors in the US domestic bond market are prepared to buy foreign issues of debt securities – known as Yankee bonds – with a wide range of maturities, making it easier for borrowers to tailor issues to their own special requirements.

Recently the People's Republic of China sold a $100m 100-year Yankee bond offering, which given that country's recent turbulent history demonstrates US investors' accommodating nature.

Borrowers can also use the private placement market to issue debt with longer maturities than would be available from more traditional sources. And they find that investors are willing to make the effort to get to know an unfamiliar company.

The gains are not without costs. The price non-US entities pay for getting access to the world's largest capital market is a readiness to conform to US investors' expectations.

Disclosure is the most obvious area. Reporting requirements in the US are often very different from those in an issuer's home country, and some are unwilling to release the required information. While there has been some easing of regulations, many US investors prefer to see companies accounts drawn up using US standards.

Mr Ron Corwin, executive vice president for marketing at the American Stock Exchange, says: "A relatively modest number of companies have been willing to do what needs to be done to comply with the reporting requirements of the SEC. But it is an increasing number."

A recent survey of US institutional investors' attitudes to investing abroad by Broadgate Consultants, an international corporate and capital markets consulting group, found most plan "to increase overseas investments substantially over the next twelve months".

It discovered that 92 per cent of institutional investors think quarterly reporting is critical or important to their analysis. Further there is an increasing concern about corporate governance practices – 86 per cent of investors think that non-US companies do not pay enough attention to issues of corporate governance and shareholder rights.

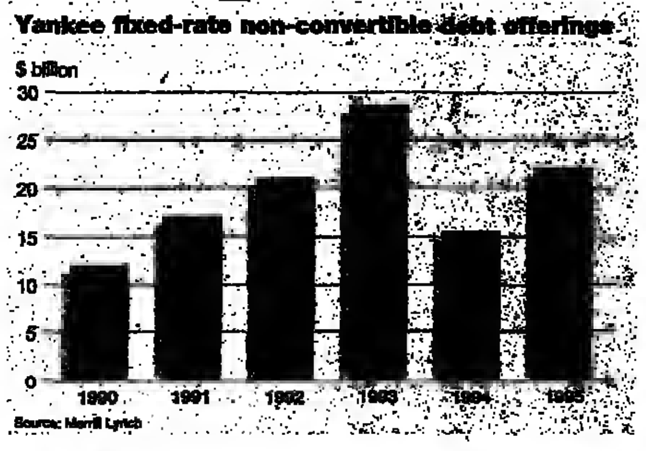
Mr Bill Jenks of Broadgate adds that respondents indicated that they like non-US companies to have an American depositary receipt facility, even if they buy shares in local stock markets rather than ADRs themselves. He says an ADR facility demonstrates a commitment to US investors on the part of a company.

Commitment from both sides – issuers and investors – can create a profitable alliance.

Yankee bonds: by Antonia Sharpe

Hard work prevails

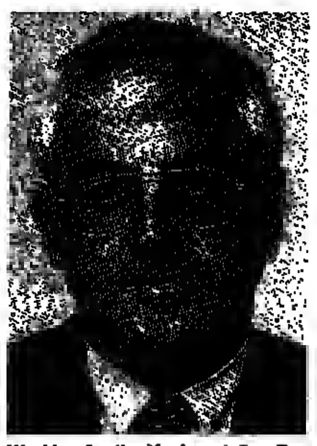
Persevering issuers open up a path to a deep and dependable source of capital



Jumping into the Yankee bond market – the US domestic bond market for foreign issuers – is daunting, but according to those who have taken the plunge, it is well worth the effort.

Would-be issuers must meet several requirements before they can tap the US public debt markets. The most important is to register with the US Securities and Exchange Commission (SEC), which requires the issuer to reconcile its accounts with US accounting standards. Companies also need to get a credit rating from two leading credit rating agencies to satisfy US investors.

Over the past few years the SEC has encouraged more foreign issuers to come to the Yankee bond market by making the registration process less onerous. The body now gives greater importance to standards laid down by the issuer's national regulator, for example.


Working for the Yankee dollar: Ray Curran of Jefferson Smurfit

Since the registration document contains a lot of new information which could be sensitive in the issuer's home market, the SEC allows the issuer to make a "confidential" listing – details will only become public once it is ready to go ahead with its debt offering.

The greater flexibility of the SEC has boosted the volume of Yankee bond issuance. According to data from Merrill Lynch, the US investment bank, volume rose from just over $12bn in 1990 to $28.7bn in 1993, when many companies used the bull run in the bond market to raise funds or refinance existing debt cheaply. Issuance dropped to $15.8bn in 1994 but picked up again to $22.2bn last year.

Some 54 per cent of total issuance in 1995 was raised by industrial companies, 23 per cent by financial companies and the rest by supranational or government agencies.

Despite the SEC's relaxation of listing requirements, preparing a registration document still involves a significant amount of work. Mr Ray Curran, chief financial officer of Jefferson Smurfit, the Irish-based international paper and packaging company which made its debut in the Yankee bond market last year, describes the whole process as "time-consuming, complex and expensive".

The benefits which result from being able to tap the world's most liquid bond market make it all worthwhile, he says. "If an issuer is looking for debt of longer than 10 years, it is worth the effort," says Mr Curran. "If it is looking for debt with a maturity of 20 or 30 years, the Yankee bond market is definitely the only place to be."

Smurfit raised a total of $600m through two Yankee bond offerings, with maturities of 10 and 30 years, to refinance bank debt taken out to buy a French paper company.

Mr Russell Chambers, a director at Merrill Lynch which arranged Smurfit's offerings, says issuers can sell bonds with very long maturities in the Yankee bond market because of the depth and liquidity of the US public debt markets.

Century bonds have been the latest theme in the Yankee bond market, adds Mr Jonathan Hakim, a managing director at Lehman Brothers in London. This month, Lehman arranged a $150m offering of 100-year bonds for Tenaga, the Malaysian electricity company.

By contrast the appetite for long-dated bonds in Europe is far more limited. Retail investors in the eurobond market are generally reluctant to buy bonds with a maturity of more than 10 years.

The dominance of institutional investors in the Yankee bond market means that it is much more dependable than the eurobond market where sentiment towards the various currencies is often influenced by foreign exchange and domestic bond markets. "The Yankee bond market provides funding for companies day in and day out," says Mr Chambers.

Another advantage which the Yankee bond market has over the eurobond market is the access it provides to issuers with lesser credit ratings. Most companies with a credit rating of below double A find it difficult to raise funds in the eurobond market.

In the case of Smurfit, which has a rating of A minus from Standard and Poor's and Baa1 from a competing agency, Moody's, the size of the offering it planned would not have been possible in the eurobond market, so it went to the Yankee bond market instead.

In addition eurobond investors often buy bonds purely because they recognise and respect the issuer's name. If a

> The appetite for long-dated paper is keener than in Europe

company is not well-known on the Continent it would have to pay a hefty premium to access the market.

The small premium foreign issuers once had to pay when tapping the Yankee bond market has disappeared, says Mr Bob Hugin, the managing director in charge of debt syndicate at JP Morgan in New York. Over the past year the bank has arranged Yankee bond offerings for Legrand, a French electrical group, and for Dresdner Bank, Germany's second-largest bank.

In Mr Hugin's view, the increasing popularity of the Yankee bond market is due to the desire of US investors to geographically diversify their credit risk. "They are looking to build up a more diversified credit portfolio," he says. He adds that the improvement in technology and communications means that US investors have become more comfortable with foreign issuers than in the past.

The Yankee bond market provides issuers with a great deal of choice about the structure of their debt. Although call and put options have been creeping into the eurobond market over the past year, they are still rare features. In contrast investors in Yankee bonds are used to buying bonds with options of this kind attached to them.

Bankers believe that in future more foreign companies will brave the time-consuming listings procedure to tap this dependable and versatile market.

The Rule 144A market: by Maggie Urry

Shares perform better than bonds

This financing method faces competition from traditional private placings of debt

In the 1970s and 1980s the Securities and Exchange Commission, which regulates American securities markets, believed that if foreign companies wanted to tap US markets they would have to play by the same rules as local issuers. That meant going through the long and expensive process of registering an issue with the SEC, and thereby revealing information which many non-US companies had not published before.

By 1990 that attitude had changed. The SEC realised that a number of non-US issuers were turning to other markets, such as the euromarkets, to raise both debt and equity capital and the US was losing business as a result.

It was in that year that the SEC passed Rule 144A, which allowed non-US companies to issue debt or equity in the American market without registering it. The paper had to be sold to qualified institutional buyers (Qibs), who could then trade their holdings with other Qibs in the secondary market. And after two years, unregistered securities could be sold in the public markets.

The supposedly liquid after market produced by the Qibs was meant to increase the range of investors who would buy the paper and, in turn, make it easier for foreign issuers to raise capital.

The Qibs had to be large investors, in most cases managing assets of over $100m, who were expected to be sophisticated enough to look after themselves in terms of appraising issuers and the value of securities.

Since 1990 the 144A market has grown in fits and starts. According to Mr Stephen Schechter, a managing director at Schroder Wertheim, a leading investment bank in the sector with $5.5bn of cross-border private placements to its credit, the philosophy of Rule 144A was excellent – to attract high quality foreign issuers to the US.

Top 20 managers of 144A private placements 1995

	Manager	Value ($m)	No. of deals	% share
1	Merrill Lynch	1,776	60	14.0
2	SBC Warburg	1,677	84	13.2
3	Goldman Sachs	1,528	58	12.0
4	Salomon Brothers	1,363	39	10.7
5	Lehman Brothers	828	47	6.5
6	JP Morgan	806	38	6.4
7	Morgan Stanley	714	41	5.6
8	CS First Boston	684	32	5.4
9	Bear Stearns	584	25	4.6
10	BZW/Barclays	370	28	2.9
11	Donaldson, Lufkin, Jenrette	358	10	2.8
12	Deutsche, Morgan, Grenfell	357	9	2.8
13	ING Barings	269	19	2.1
14	Smith Barney	253	8	2.0
15	UBS	242	15	1.9
16	PaineWebber	209	8	1.9
17	Banque Paribas	203	10	1.6
18	Prudential Securities	182	4	1.4
19	HSBC Group	152	8	1.3
20	Société Générale	144	5	1.2

Based on 585 deals worth $15.8bn. Source: IFR Securities Data Company

For equity issuers, he says, "the 144A market is alive and well and working beautifully". However, for debt issuers, he says, the market has only really come alive in two areas: the high yield sector and the larger investment grade area, by which he means issues of over $150m.

In other areas he judges that the 144A market has not taken off. There is not much pricing differential between the traditional private placement market and the 144A market, and the extra cost of having an issue rated by the credit rating agencies for the latter market can substantially erode the benefit of a lower yield.


Liquidity on tap: Anglian Water raised $10m through a 144a placing

Mr Stefan Shaffer, president of SPP Hambro, the leading arranger of European private placements in 1994 and 1995, agrees that the traditional private placement market is still the place for debt issues. The main buyers of the paper are insurance companies, which have had a lot of cash to invest in recent years. They are essentially buy and hold investors, looking to match their long term liabilities with long term assets. Although they can trade the paper even without the 144A rule, they generally do not.

Mr Shaffer says that there is so much liquidity available from buyers of traditional private placements that it has not been necessary to tap the other buyers attracted to the 144A market.

One of the largest buyers of private placements, Cigna, the insurance group, invested $2.5bn in the market last year. Mr Malcolm Smith, who is in charge of private placements at Cigna, says that insurance companies currently have "a tremendous amount of cash to invest". In recent years, he adds, approaching one third of issues in the private placement market have come from non-US issuers.

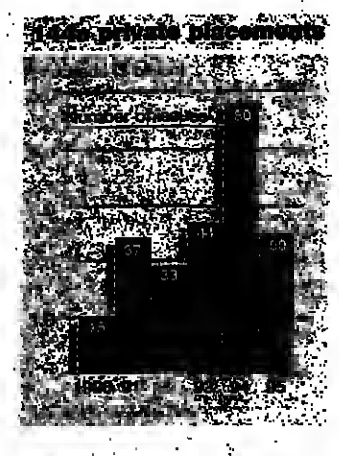
The number of issues in the 144A market contracted somewhat in 1995. Cigna put 10 per cent of its private placement money into that sector compared to 17 per cent in 1994.

High liquidity combined with a general decline in US interest rates over the last year has made the US market an especially attractive place for non-US issuers. Many of them have subsidiaries in the US and wish to hedge their dollar assets with dollar borrowings. Others swap the proceeds back into their home currency.

The market is receptive to issues from companies which are not household names in the US, and can be a worthwhile source even of remarkably small sums of money. Anglian Water, of the UK, for instance, recently raised $10m through a 144A placement.

Mr Schechter cites the example of an issue he arranged for HP Bulmer, the British cider company. Although the business was as unfamiliar to US investors as the concept of an alcoholic, apple-based drink, Bulmer was able to raise $45m through tranches of 7 and 10 year paper at an interest rate cheaper than for a five-year bank facility. Four insurance companies bought the entire issue.

Another borrower Mr Schechter is proud of having brought to the US market is Macmillan, the book publisher. As a private company, Macmillan had few sources of long term finance, but was able to raise money more cheaply and for a longer period in the US.



Mr Shaffer gives an example of another UK company, Shandwick, the public relations firm, which last month completed a $40m private placement, even though it is a "people business" and therefore lacks the asset backing some lenders look for. The deal was sold on the company's ability to generate cash flow, and it improved the company's UK borrowing profile too.

Trading in 144A issues can be transacted through the National Association of Securities Dealers' Portal system – which stands for Private Offerings, Resales and Trading through Automated Linkages.

Mr Schechter says that Schroder Wertheim also trades 144A bonds, but finds that few change hands. An example he gives is of Rank Organisation, which has issued a total of $800m of bonds over recent years. Mr Schechter says less than 10 per cent of the total has been traded, and then only between the 26 institutions which were the original buyers of the bonds.

Accounting: by Richard Waters

The world according to US GAAP

Foreign companies find conforming with America's accounting rules so irksome that many avoid its markets

Daimler-Benz's arrival on the New York Stock Exchange (NYSE) in 1993 was meant to herald a new dawn.

The first German company to come to the public equity market in the US, the car and aerospace group seemed at the time to be blazing a trail that others would follow. Its willingness to bow to the US's securities regulations – including its accounting and disclosure rules – marked a breakthrough in trans-Atlantic financing.

The elation proved short-lived. For the first half of 1993, Daimler-Benz reported an after-tax profit of DM168m ($155m) – at least, under German accounting rules. Applying US generally accepted accounting principles (US GAAP) turned this into a loss of DM949m. That was followed by a bigger loss for the full year, as the company moved to clean up its balance sheet.

The discrepancy in accounting treatment provided a strong reminder of just how dissimilar national accounting rules remain, while failing to endear the company to US investors.

These events may have discouraged other foreign businesses from tapping the US stock market. According to officials at another German company that had considered a New York listing, Daimler's problems cast doubts over the credibility of German accounts and made it hard for others to follow in its footsteps.

"It was unfortunate," concedes Mr James Cochrane, senior vice president of economic research at the NYSE, of Daimler's accounting difficulties.

Daimler is not alone. Mr Arthur Levitt, chairman of the US's Securities and Exchange Commission (SEC), commented recently that many foreign companies – particularly those from Europe – lack the openness of US counterparts. He was speaking shortly after Nokia, the Finnish telecommunications group, shocked US investors with a profits warning.

Differences in national accounting rules are one aspect of the problem, says the SEC chairman, who criticises some companies for being "chauvinistic" in refusing to budge from their domestic accounting regimes. There is, he adds, a broader question of the "cultural differences" that complicate attempts by foreign companies to go public in the US.

Cultural and political rivalries inform the whole debate on international accounting, making it one of the thorniest issues in the development of international capital raising.

Differences in national accounting and disclosure regimes has helped keep companies from countries like Germany and Switzerland away from the US capital markets. The London Stock Exchange, by granting a listing to any company that complies with International Accounting Standards, has long had an advantage over its US rivals in attracting foreign corporations.

Under Mr Levitt the SEC has made some concessions. It recently agreed to accept cashflow statements drawn up in accordance with International Accounting Standards Committee (IASC) rules and to allow companies to use IASC guidelines when determining whether or not they can use pooling to account for a business combination.

The requirement to comply with US GAAP remains a daunting obstacle for many foreign companies, the most visible symbol of the gulf that separates the US and European capital markets.

The chances of that chasm being bridged are better, however, than they have ever been. A year ago the IASC won a commitment from an international grouping of securities regulators – including the SEC – that could make international accounting standards the vehicle for entry to US markets.

If the IASC can achieve the considerable task of tightening its current set of rules, regulators around the world have promised to accept accounts which follow international standards for listing purposes. In effect, that would open up three national markets which do not accept IASC standards: the US, Japan and Canada.

The IASC provides a forum for continental European companies which want to raise capital internationally – particularly in the US – but do not want to play by the rules of American finance, suggests Sir Bryan Carsberg, the committee's British chairman: "Germany and France are not going to let the US write their accounting rules for them over the long haul – they want a seat at the table," he says.

A growing number of German, Swiss and French companies have already started to issue financial statements which comply with IASC rules. One effect, say advocates, has been a greater appetite for their securities outside their domestic markets.

Ciba Geigy, for instance, has said that it believes international-style accounts have helped lift its share price. Mr Paul Brunner, a manager at Coopers and Lybrand (C&L), says: "There was a high premium for uncertainty because no-one understood Swiss accounts."

The latest breakthrough for the credibility of the IASC's body of rules came late last year with a decision by Deutsche Bank to use international standards. The internationalists of the accounting world now hope that Deutsche Telekom will follow suit.

The shift to IASC standards would also get a big boost if, as they have intimated, legislators in Germany and France move to allow companies to use international standards for domestic reporting purposes.

That does not mean that the IASC is about to provide a back door into the US markets.

Mr Levitt, for one, makes it clear that the US is not about to take a less stringent approach to foreign companies. "I am committed to international standards," he says. "But make no mistake about it: any nation that is expecting a sudden change to less demanding standards is making an error, because that will not be the case."

Mr Levitt says that he has "no particular allegiance to US accounting standards merely because they are from the US," but adds: "They are the best, most revealing in the world."

The IASC, for its part, is equally adamant that no easy compromises lie ahead. "We're not, of course, looking for our standards to be a soft option," says Sir Bryan.

All of this points to some heated accounting battles ahead. The greatest debate is likely to centre on the areas which, traditionally, have divided nations: how to account for the goodwill that arises on an acquisition, for instance, or the level of segmental information a company should provide.

Newer areas like disclosure of derivatives holdings will also consume much energy, as will pension accounting – a field where different tax rules, funding requirements and actuarial practices make consistency difficult to achieve.

The IASC has set itself a five-year timetable to achieve its goal. To get there, it will need more resources – Sir Bryan wants to lift the committee's budget from £1.1m a year to £1.75m. Mr Brunner at C&L says: "The work plan is quite aggressive – when you're talking about change on a world scale, 5-10 years isn't so long."

Meanwhile the US stock markets seem unlikely to see a sudden flood of continental European listings. But, says Mr Levitt: "Five years from now, this period will seem an aberration."


Spanner in the works: US GAAP transformed Daimler-Benz's after-tax profit of $155m for the first half of 1993 into an $875m loss

■ **Stock exchanges:** by Maggie Urry

Trio battle for foreign issuers' favour

Three markets share a single goal: to win the most listings from non-US firms

The growing interest being shown by foreign companies in listing their shares in the US has prompted American stock markets to target them as a aource of growth. The exchanges are engaging in a marketing battle to increase their share of the available trading.

Mr Richard Grasso, chairman of the New York Stock Exchange, believes non-US companies have far greater potential to add to the number of concerns listed on the "Big Board" than US counterparts. He sees the NYSE becoming "a global institution in the full sense" when it captures 450 to 600 foreign listings, enough to give it the critical mass to create and test products and services for the global investor.

At present the NYSE, which had a market capitalisation of nearly $6,000bn at the end of 1995, lists around 250 non-US companies among its total of 2,700 companies. More than half of those 250 joined in the last four years. Trading in foreign shares now accounts for around 12 per cent of total NYSE volume, with some of them – such as Telefonos de Mexico – among the most actively traded stocks.

The other exchanges have also spotted the opportunity for growth that non-US listings present. Strictly speaking, only the NYSE and the American Stock Exchange (Amex) are regarded as exchanges. The National Association of Securities Dealers Automated Quotatioos (Nasdaq) market is an over-the-counter market. Companies can also see their shares traded on the so-called "pink sheets" market operated by the NASD.

The NYSE is regarded as the most prestigious exchange, with most of the largest US companies listed there. Its listing criteria are much more stringent than those of tbe Amex and Nasdaq markets and the cost to the issuer is several times greater.

Ms Catherine Kinney, group executive vice president in charge of listings at the NYSE, says the exchange bas for many years been targeting non-US companies. It has established offices in London and Paris, and identified and approached concerns which would qualify to list oo the Big Board.

Smaller markets may cater best for smaller companies

The NYSE believes it offers the "finest equity market in the world" she says, and many large companies are attracted to it because their peers are already listed there.

Nasdaq, which is the second largest market in the world after the NYSE, is equally determined to win new companies. Although its market capitalisation is lower than tbe NYSE's, at $1,150bn, it lists more companies – over 5,000 – of which 350 are foreign.

Although its criteria for listing are less stringent, Nasdaq points out that many of its largest companies – businesses like Microsoft, Apple Computer and Intel – are well-qualified to move to the NYSE but choose to stay with Nasdaq.

Ms Ellen Hipschman who runs Nasdaq's International marketing efforts, argues that Nasdaq is not a "junior market". Altbough the average company listed there is smaller, the level of regulatioo is the same. Nasdaq has a reputation for listing high-technology stocks, to the extent that some non-US companies seek a primary listing on Nasdaq before floating shares in their home country, because they feel the US investor base is more sophisticated when it comes to evaluating information technology companies.

Ms Hipscbman argues that Nasdaq offers more support to non-US companies whose shares are traded there. A director is assigned to look after each company. Listed concerns are featured in a Nasdaq magazine, which is sent to fund managers, and the exchange organises conferences and seminars at which top management can meet investors. The marketmakers are usually broking firms which also publish research on the companies and run sales teams to promote shares.

The Amex is smaller again, and lists only 20 non-US companies. Its speciality is healthcare companies, witb names like Medeva of the UK on the list. Mr Ron Corwin, executive vice president for marketing at the Amex, echoes Nasdaq with the claim that the Amex offers companies more support than tbe NYSE.

Although he admits the largest companies will have higher visibility oo the NYSE, smaller groups fare better on the Amex, he says. Mr Corwin believes that the conferences and investor relations workshops organised by the exchange help companies to communicate with Wall Street.

Part of tbe argument between the markets concerns trading methods. The NYSE and Amex are auction markets, where buy and sell orders meet througb a single "specialist" dealer to set the price of a security. Nasdaq by cootrast, is quote-driven. Competing marketmakers post the prices at which they are willing to trade on computer screens, which also show the best buy and sell prices available.

Supporters of the Nasdaq system, which is similar to that used in the UK markets since the Big Bang ten years ago, claim competition between marketmakers to win business ensures better prices.

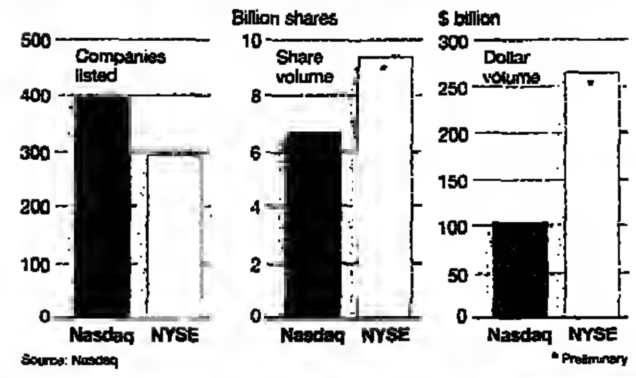
An important issue for the exchanges is whether to expand into non-dollar denominated listings. At present the shares of most non-US companies shares are quoted in the form of American depositary receipts (ADRs), which are denominated in dollars. Mr Grasso bas raised the idea of trading in a company's ordinary shares in the currency of its home market. If the NYSE moves that way the other exchanges are likely to follow.

Ms Kinney says the NYSE is planning a pilot scheme to begin by the end of this year. Between 5 and 10 shares will be traded in their ordinary form beside the ADRs.

Although ADRS are useful for companies from emerging markets, Mr Grasso suggests the bulk of trading in a foreign company is likely to be in the form of ordinary shares in future. For the NYSE to increase its share of a company's stock trading it needs to list the ordinary form too. The NYSE may also extend its trading hours to accommodate foreign companies and investors.

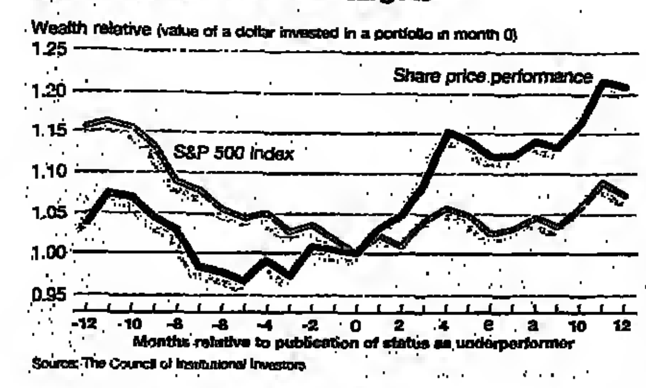
If the plan is successful it will be a step along the road to a truly global stock market matching the increasing internationalisation of many issuers' businesses.

Foreign shares traded on the NYSE and Nasdaq 1995




Screen test: Nasdaq dealers compete to post the keenest share prices

Performance of activism targets



■ **Corporate governance:** by John Plender

Investors eager to call the tune

Campaigners for shareholder value have foreign companies firmly in their sights

Ten years ago shareholder activism was a less familiar feature of US capital markets than of UK counterparts. Today the position has been reversed. Both institutional investors and individual shareholder activists in the US have brought about significant changes in the boardrooms of leading American companies. Sucb interventionism, often conducted noisily and publicly, is now beginning to spill over into European markets, as US investors diversify their portfolios overseas.

Concern over corporate governance issues in the US is in part a response to criticism of big shareholders' lack of success in preventing managerial failure at companies in which they had invested. It is made possible by the growing institutionalisation of the US equity market and encouraged by the growth of indexed funds, where the sale of shares is ruled out as a response to poor corporate performance.

A few shareholder activists wield huge power

Yet these are now common factors between the US and the UK. If approaches to corporate governance in the two countries contrast, it is probably due to differing legal frameworks and cultures.

A relaxation in 1992 of the Securities and Exchange Commission's rules on communication between shareholders has opened the door to quick proxy protest campaigns and to greater disclosure of boardroom pay. Equally importantly the US Department of Labour's guidelines require proxies to be voted on all issues that might affect the value of a pension scheme's investments. While some fund managers continue to vote on a knee-jerk basis to support the board, many argue that compulsory voting has had a consciousness-raising effect on behaviour.

According to a recent survey by Russell Reynolds Associates and The Wirthlin Group, shareholder contact with the boardroom has been growing and more than two in five institutional investors have conveyed opinions directly to company boards. But while many institutions have voted in favour of shareholdar resolutions few have actually sponsored one.

That perhaps gives the lie to the idea of widespread public intervention. Most US institutional investors prefer to delegate voting power to fund managers, for whom activism may appear an unattractively high-profile and costly business.

The most spectacular recent corporate governance reforms have come from s small group of public pension funds and private activists.

Eastman Kodak's sale of its chemical business and its subsequent change of chief executive officer, for example, were prompted chiefly by the California Public Employees Retirement System (Calpers) and the Pennsylvania Public Employees Retirement System. Retailer Sears Roahuck's divestment of its financial interests came after pressure from veteran activist Robert Monks. And a controversial restructuring plan at retailer Kmart was thrown out thanks to pressure from the State of Wisconsin Investment Board.

Yet if the visible proponents of activism are relatively small in number, the strength of the governance bandwagon should not be underestimated. The Council of Institutional Investors, which speaks for pension funds with more than $800bn under management, enjoys an increasingly high profile as a corporate monitor.

Unlike comparable bodies in Europe, it has, for the past four years, published a list of underperforming companies. The council's members are then encouraged to apply pressure, usually privately, to the corporate boards in question. Calpers follows a similar policy, although here monitoring and gingering are conducted by the same organisation.

How successful such institutional productivity chasing has been remains controversial. Academic atudies do not come to uniform conclusions. Yet Calpers is in no doubt that activism enhances the fund'a returns. A survey commissioned from Wilshire Associates found that shares of 42 underperforming companies targetted by Calpers had outperformed the S & P 500 index by more than 40 per cent in the fiva years that followed the initial action.

A study in August 1995 for the Council of Institutional Investors revealed superior average share price performance by 97 companies against the S&P 500 in the year after appearing on the council's hit list. It confirmed improved performance against other yardsticks such as earnings growth.

Meantime Calpers has shocked corporate Germany by showing itself prepared to raise qnestions at annual general meetings. Other US investors have campaigned on shareholder value issues in France, though to no great effect so far.

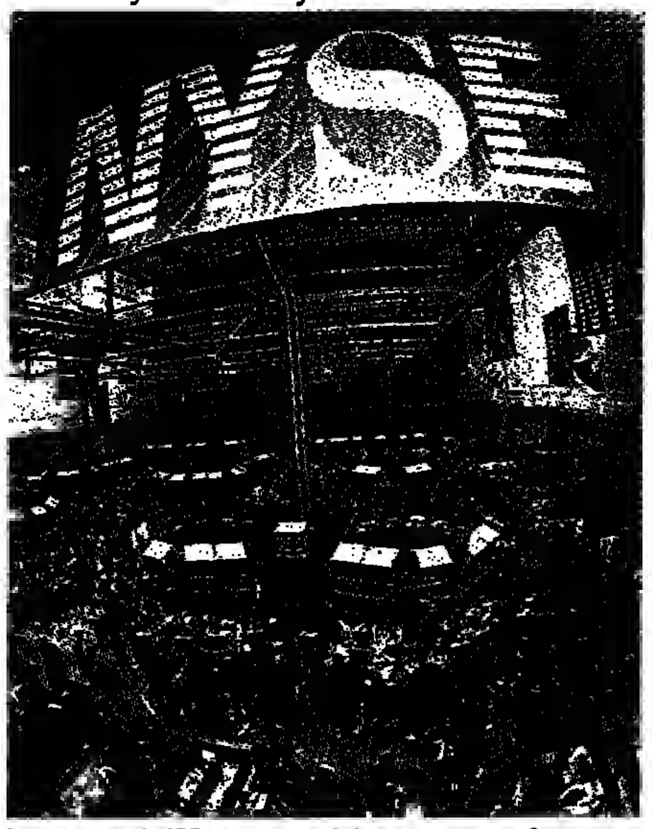
Yet US influence is set to increasa in Europe, partly because Department of Labour guidelines require pension funds to vote overseas as well as at home, but more fundamentally because many European companies want access to US capital. Improved disclosure, monitoring and governance are the price that US investors exact for this accommodation.

4 ACCESSING THE US CAPITAL MARKETS

■ **American depositary receipts:** by Maggie Urry

Success could bring extinction

Demand for foreign shares has boosted ADRs while hastening listings reforms that may eventually make them obsolete



Last resource: do ADRs show domestic investors are scarce? Glyn Genin

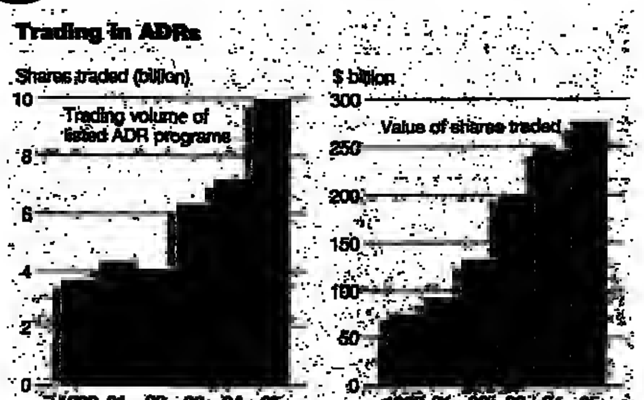
In 1993 shares in Glaxo – a UK company – were the most actively traded equities on the New York Stock Exchange. Some 275bn American depositary receipts (ADRs) in Glaxo changed hands and by the end of the year over 350,000 US investors had a stake in the British pharmaceuticals business. Following the merger between Glaxo and Wellcome over 10 per cent of the combined company's shares are held in the US.

Depositary receipts beve come a long way since they were invented in the 1920s. American depositary receipts have been joined by global, European and other varieties, bnt they all have the same function of allowing American investors to buy and sell foreign shares.

Trading in ADRs on the New York Stock Exchange, American Stock Exchange and the Nasdaq over-the-counter market has grown rapidly in recent years. In 1985 the value of ADRs traded in the US was $24bn. Last year it reached $278bn, a more than tenfold increase in 10 years.

The amount of capital raised was on an upward trend too, until it fell in 1995 after a record year in 1994. According to Citicorp, non-US companies raised $11.5bn in 1995, compared with $20bn in 1994. The drop reflected e sudden halt in issuance by Latin American companies following the Mexican currency crisis at the end of 1994. Activity picked up sharply in the second half of 1995 and many predict that 1996 will be another strong year.

Trading in ADRs



Source: Amex, Nasdaq, NYSE

Depositary receipts are tradeable securities which represent underlying equities. They are created when the shares of a company are bought on its home stock market and deposited with a custodian. The investor is then issued with a receipt for the shares on deposit – hence the name. That receipt can be traded, or cancelled if the underlying shares are sold and delivered from the custodian.

The advantage to US investors of ADRs is that they are just like American shares. Dividends are paid and prices quoted in dollars, and deals are struck on American exchanges and settled according to US practices.

Investors should not be misled into believing thet buying ADRs allows them to avoid currency market risks. The price of the ADR reflects the domestic currency price of the underlying shares translated into dollars.

Arbitrage between ADRs and ordinary shares ensures that the two prices do not diverge.

Originally ADRs would be set up without the backing of the company concerned. These days almost all ADRs are sponsored by the issuer of the underlying shares.

Mr Kenneth Lopian, senior vice president at the Bank of New York, says the custodian bank can provide important services to the company – such as maintaining a register of US shareholders and handling dividend payments.

Many advisers suggest that companies establish an ADR facility before they consider raising US cash by selling ADRs backed by new shares. But in some instances, such as the privatisation of a company which has not been publicly owned before through a global offering, an ADR facility has to be set up as part of an issue.

ADRs have proved popular with many US investors, giving them a chance to buy shares in companies from around the world, including those from emerging markets (see stories on this page for details of three of these), without the problems of dealing with local currencies and settlement systems.

Some investors are restricted from buying shares that are not listed on a US exchange, which means that ADRs are the main route for them to diversify internationally.

Many analysts believe that ADRs are only for less sophisticated investors. Larger and more international investors have the manpower and know-how to invest directly.

Mr Nick Bratt, director of global equity research at Scudder, a large institutional money manager, says his firm prefers to buy foreign shares in local stock markets. He points out that it is often only the largest companies that have an ADR facility. He says that investment managers should search out value for investors by looking beyond them. Only around three-quarters of the top 100 UK companies, for instance, have ADR programmes.

Mr Bratt half-jokingly suggests that once a company sponsors an ADR programme it is time to sell its shares – it must mean that the company has run out of new investors in its home country.

Pessimists like Mr Bratt aside, the ADR market faces a threat from the New York Stock Exchange's plan to trade foreign shares in their ordinary form, quoting prices in local currencies rather than dollars. That could be an early step on the road to a global securities market, with shares tradeabla all round the world regardless of their origin. But that is still a distant dream.

■ **Latin American ADRs:** by Lisa Bransten

Flow loses pace

The gusher of equity capital that flowed into Latin America in the early 1990s was abruptly capped last year after Mexico devalued its currency, sending fear through the ranks of emerging market investors.

In 1993 and 1994 a total of 76 companies raised more than $10bn through American depositary receipt (ADR) programmes, while last year just eight sold equity on the US markets, raising around $559m, according to figures from the Bank of New York.

Investors remember 1993 as a strong year for Latin American equities, when they fought to buy up the limited number of ADRs thet had already been issued and pnt more money into new offerings. That year total returns on the ING Barings index of Latin American equities were np nearly 52 per cent. In contrast it made a loss of 6 per cent in 1994 after Mexico's devaluation of the peso in late December.

This year many analysts are looking for Latin American ADRs to resume an upward trajectory, but they concede that companies trying to raise new capital in the US may find the going tough.

Ms Maria Marron, a Latin American equity analyst at Salomon Brothers, thinks that there may be some demand for ADRs late this year, but that the first place most investors will look to put money will be in existing issues.

"There is a difference between buying something that had value in the past that is well off its highs and buying an unknown," she says.

One ADR deal that is expected sometime in the second quarter of this year is Telefonica de Peru, the Peruvian phone monopoly, which will undergo the final stage of privatisation wben the government sells the 28.5 per cent of the business it still holds.

Based on the price of shares traded on the Lima stock exchange, that bit of the company could be worth as much as $1.6bn, making it one of the biggest Latin American deals ever completed.

■ **Israeli ADRs:** by Mark Dennis

High-tech trade

Most people would be hard-pressed to name the country that is second only to Canada as a bome to foreign companies listed on American stock exchanges.

The country is not in the Far East or Europe as one might expect, but in the Middle East. Some 60 of Israel's companies are quoted in the US, most of them on Nasdaq. Their total market capitalisation is around $12bn, as compared to $35bn for the entire Tel Aviv Stock Exchange (TASE).

Analysts say the large number of Israeli companies listed in the US reflects both foreign enthusiasm for Israeli companies, as well as weaknesses in the TASE that drive many businesses to raise capital in the US. "The TASE is in a crisis in terms of volume. It is not functioning as a tool for raising capital," says Mr Gad Hacker of Batucha Securities, "It is much easier to get money in America."

Foreign interest in Israel has increased markedly due to a prolonged economic boom and the unfolding peace process. An offering in the US is one way Israeli companies can capitalise on this enthusiasm. Most companies who seek US cash are exporters who believe that an American listing will help them attract international clients.

High-tech businesses dominate the listings, at almost 90 per cent, and include a mixture of heavyweights, such as Tower Semi-Conductor and ECI Telecom, as well as smaller capitalisation companies. The concerns were able to launch successful offerings from the mid-1980s, when Israel's reputation for technological excellence became strong enough to overcome investors' fears about political and economic risk.

Other types of companies are now starting to bring offerings. Israel's largest industrial conglomerate, Koor Industries, recently completed a $120m global public offering, primarily focused on the US. Several big privatisations are scheduled to take place this year. These include blue-chips like Bezeq, the telephone monopoly, and Zim Israel Shipping. Some American securities firms have set up offices in Israel in anticipation of increased business.

High-tech companies are still expected to dominate the numerous new offerings expected this year. Nice Systems, a digital communications company, and Zoran, an electronics firm, are currently making initial public offerings in the US. Moreover dozens of American venture capital funds are investing in promising high-tech start-ups, many of which are expected to go public in the US within the next few years.

■ **Russian ADRs:** by John Thornhill

Lukoil pioneers

The prospect of a Russian company issuing shares on the US capital markets would have seemed as unimaginable a decade ago as a US company delivering pizzas to Muscovites' front doors. But both events happened recently.

Lukoil, whose market share of more than 15 per cent of the country's crude output makes it Russia's biggest privatised oil company, launched an American depositary receipt (ADR) programme last month, attracting strong interest from US and European investors.

The Bank of New York, acting as the depositary bank, has bundled packages of four Lukoil shares into one ADR. It is hopeful that foreign investors could buy up to 30 per cent of the company's shares. At Lukoil's current market value that implies almost $1bn of Russian proxy shares could become tradeable offshore.

Lukoil's ADR programme has been classified as an unrestricted level-one issue after receiving US Securities and Exchange Commission clearance late last year. The SEC satisfied itself that sufficient safeguards concerning corporate governance and custody were in place to protect potential investors.

That approval allows even "Mom and Pop" investment institutions to buy the ADRs without too great a fear of investors launching legal proceedings against them should they be defrauded.

A string of Russian companies is set to follow Lukoil's example. Other big oil firms, such as Yukos, two of the country's most powerful banks, Inkombank and Menatep, the national grid, Unified Energy Systems, and the GUM store are all said to be contemplating ADR programmes.

As yet Russia has barely registered on the investment horizons of Wall Street fund managers. Foreign portfolio investment in Russia is estimated to account for only 0.5 per cent even of funds dedicated to emerging markets.

But as one enthusiastic US fund manager based in Moscow says: "Russia has started from a lower base than other emerging markets and has the potential to grow the most."

Estimating the likely speed and scale of change in Russia is still a pbenomenal challenge. A recent circular from CS First Boston wisely quoted the British economist John Maynard Keynes: "The economic system of Russia has undergone such rapid changes that it is impossible to obtain a precise and accurate account of it...Almost everything one can say about the country is true and false at tha same time."

This comment is as valid today as when it was written in 1925.

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COMMODITIES AND AGRICULTURE

Farmers' leader attacks EU cereal export taxes

By Alison Maitland

European Union export taxes on wheat and barley came under attack yesterday from Sir David Naish, president of Copa, the European farmers' organisation.

Sir David, who also heads the National Farmers' Union of England and Wales, said the European Commission should have opted for a licensing system to regulate the flow of EU cereals on to the world market instead of a full-blown tax.

The commission imposed the taxes in the past two months to protect EU consumers and livestock farmers after a doubling in world barley prices and a 70 per cent rise in world wheat prices threatened to draw supplies out of the EU and inflate already high internal prices.

"I don't believe there was a need to put an export tax on at all," said Sir David. "The situation could have been controlled by the issuing of licences to ensure there were sufficient cereals for our [livestock] producers." He said the tax could itself raise EU prices by restricting world supply and pushing up world prices.

"There was an opportunity for the commission and member state governments to say to farmers: this is what is happening in the world. Free trade means there won't be a tax in and out, but we're going to regulate it to make sure we maintain a balanced agriculture for the sake of our consumers."

The tax, which reversed two decades of export subsidies, has also been criticised by the US government and by some EU grain farmers.

Sir David said the tax was "much the easiest way of doing it" because it required little management. But licences would allow more control.

"If you let the [commission's] cereals management committee have a weekly or monthly balance sheet . . . the granting of export licences could have been on a *pro rata* basis to those who were bidding for them."

Sir David represents both arable and livestock farmers, whose interests diverge on this issue. While arable farmers would benefit from selling to world markets, livestock producers are facing increases in their cereal feed prices of about 10 per cent in the year to July.

He acknowledged the position would have been more difficult if pig producers – among the main users of cereal-based feed – had not enjoyed better prices last year, which helped offset higher costs. But poultry producers "were having a very serious time".

'Hidden' metal stocks may delay bull market

By Kenneth Gooding, Mining Correspondent

Producers of aluminium, lead, nickel, tin and zinc are likely to be working at full stretch by the end of this year and will enjoy bull market conditions in 1997, according to Mr Neil Buxton, research manager for Metal Bulletin Research.

However, at a presentation to the Association of Mining Analysts in London, he warned that in the short term aluminium, nickel, and zinc prices might be held down by "hidden" or unreported stocks being transferred to those in London Metal Exchange registered warehouses.

This could lead to stock reductions in the first quarter of this year being less than widely expected or to stock increases greater than most analysts expected. "This possibility, together with sluggish demand conditions, makes us slightly bearish towards the base metals sector for the next few months.

"By their historical relationship, prices are still high compared to stocks. So we expect there to be periods when prices do not react to falling inventories, which is the reverse of what happened in 1994 and early 1995. We expect this to particularly be a feature of the first half of 1996." he added.

Mr Buxton suggested that the prices of many semi-fabricated metal products, such as copper tubing and aluminium can sheet, would fall, cause destocking and adversely affect metal market sentiment. Sentiment would also be influenced by an expected weakness in the copper price and, possibly, by investment funds selling short.

But the next big upward move in metals prices would be in response to genuine physical tightness. "Last year's prices do not represent the peak of this cycle," he insisted.

Mr Buxton made the following forecasts: aluminium's price would average 79 cents a pound in 1996, 3.7 per cent below last year's average but 13.7 per cent above the present price; copper's price would average $1.80 a pound, 18.8 per cent below 1995 and 4.8 per cent below the present price; lead would average 36 cents a pound, 24 per cent up on 1995 and 10.8 per cent above the present level; nickel would average $4 a pound, 7 per cent up on 1995 and 10.5 per cent above present levels; tin would average $3.10 a pound, 9.9 per cent up on 1995 and 10.7 per cent above present levels; and zinc would average 49 cents a pound, 4.2 per cent up on 1995 and 6.5 per cent above present levels.

Price rise forecast for animal feed additive

By Alison Maitland

The price of magnesite, a mineral ingredient in farm animal feed, is likely to rise because plant closures are severely reducing world output, according to ICI, the chemicals group.

The planned closure of a big plant in Kosice, Slovakia, follows the liquidation last year of China's huge Liaoning Magnesite Corporation, which supplied about a quarter of the estimated 800,000-tonnes-a-year world market.

Mr David Hopkins of ICI Nutrition, the agricultural distribution arm of ICI, said: "European stock levels are already low and supplies will tighten considerably as we enter the traditional period of heavy demand in the spring".

Magnesite, or magnesium oxide, is used in small quantities in cow and sheep feed to help prevent staggers – a problem associated with magnesium shortage.

Prices are currently about £110 a tonne in the UK, which uses 70,000 tonnes a year for animal feed. "They leapt by as much as 20 per cent following the Chinese closure and it seems certain that they have not peaked yet," said Mr Hopkins.

Gold price seen rising past $600 an ounce

By Kenneth Gooding

Gold's price should settle between US$600 and $700 a troy ounce, according to Mr Gary Maude, the executive director responsible for the international gold operations of Gencor of South Africa, the fourth largest producer. Last night in London the gold price closed $405.50 an ounce.

Mr Maude explained after a meeting in London that in 1988 the gold price in real terms was twice its present level and that was the last time South African companies could consider starting big new mines. The market needed such mines as supply was running about 1,000 tonnes a year behind demand, a gap filled only by bank selling and lending.

He denied that demand would fade as prices rose because in countries such as China, Taiwan, and Korea, with a traditional love of gold, many people for the first time had some disposable income to spend on the precious metal.

MARKET REPORT

Coffee futures jump another 6%

London Commodity Exchange robusta COFFEE futures jumped 6 per cent yesterday in response to an explosion of trade buying on the New York market. The March delivery price closed at a 2¼-month high of $2,200 a tonne, up $129.

Traders said the move was broadly technical, although fundamental tightness also offered background support. "With coffee, once it gets rolling it's difficult to stop it," said one.

Option declarations also sparked off heavy short-covering at New York's Cocoa, Sugar and Coffee Exchange, where the the March arabicas futures position hit stop-losses and March soared more than $10 to $130.00 before easing slightly.

Traders said the market was caught up in the midst of profit-taking when New York marshalled its strength again and pierced through tough resistance levels.

Fears of nearby supply tightness were exacerbated by reports that a new cold front expected to move to Mexico early next week could pose risks to the country's crop for the 1996 harvest.

LCE COCOA futures ended easier but off their lows and well above nearby support levels on industry buying, traders said.

The March contract finished £4 down at £907 a tonne.

At the London Metal Exchange LEAD and NICKEL moved up strongly on speculative buying and short-covering.

Lead confirmed recent market concern over physical supplies and streaked to $751, for three months delivery, its highest level since October 1990, while nickel raced to its November 1995 high of $8,560.

Traders said lead looked set to head higher over coming weeks, against a backdrop of tight physical supplies.

"All regions are suffering from a lack of material at the moment" one trader said. LME stocks stand at 110,675 tonnes, the lowest since October 1991.

Lead prices were likely to test $800 fairly soon, analysts suggested, and a breach there could see $900 tested in the longer term.

Nickel rose to test key technical resistance levels, raising the possibility of further chart-based gains, traders said. But the latest rally did not reflect generally weak fundamental influences.

If the price could break above the trendline, "it has room to continue up to $8,725/50," said Mr William Adams of Rudolf Wolff.

The next upside target was at around $9,000, based on the early November high, he added.

Compiled from Reuters

Bigger southern African tobacco crops likely

By Alison Maitland

Tobacco production in most of southern Africa is expected to rise this year following a good rainy season, according to the International Tobacco Growers' Association.

The region's overall output is forecast to rise by 31m kg to 337m kg in the 1995-96 season, a marked recovery from the previous drought-hit season. "They're all smiling at present," said Mr Tom Watson, who represents the growers' association.

Planting in Zimbabwe is up by 8.4 per cent to 81,000 hectares and growers are predicting a crop of 200m-210m kg, well up on last year's 178m.

The Tanzanian tobacco board is forecasting a rise in planting from 35,170 hectares to 37,290 hectares, with output increasing by 1m kg to 26.8m.

In Zambia, the tobacco association expects production to increase from 3.6m kg to 5m.

Malawi's output is expected to remain the same as last year's 120m kg. Only South Africa is expecting a fall in production, from 25m kg to 24m kg.

'Petroleum coke shortage could hit aluminium output'

By Kenneth Gooding

World aluminium production is likely to be restricted by shortages of calcined petroleum coke, a material essential in the modern aluminium smelting process, the latest Spector Report, an industry newsletter, suggests. The price of this coke has more than doubled since January last year, from US$110 a tonne to between $240 and $250.

Russian smelters would suffer most from any shortages, according to the report's author, Mr Stewart Spector. He points out that the Commonwealth of Independent States imported about 450,00 tonnes of petroleum coke last year, enough to produce 900,000 tonnes of aluminium.

Coke exports to the CIS could be cut by half this year and fall to almost nothing in 1997-98, he says.

Russian smelters are also unlikely this year to obtain from the west sufficient alumina (aluminium oxide), another essential raw material whose price has been rising.

"These difficulties could cause Russian smelters to cut production," says Mr Spector.

"Looming coke problems could also affect western smelters. We have already received reports that several of the world's smelters are unable to obtain all the coke they need to maintain production."

Two years ago some big aluminium producers shut down capacity after an international trade agreement suggested this was necessary to bring the market – severely dislocated by a collapse in demand in the CIS and a consequent surge in exports from that region – back into balance.

Mr Spector says that, if all the western smelters re-start production "something has to give around the middle of 1996". Coke stocks could be gone by the end of this year and no new coke production capacity is scheduled to come on stream until the end of next year.

Not only is there a shortage of coke capacity but green coke, used to make calcined petroleum coke is no longer in ample supply because it is more profitable for refineries to make liquids (gas, gasoline, distillates and gas oil) than coke, warns Mr Spector.

● Conoco, the DuPont subsidiary, is to spend £30m at its Humber refinery in the UK over the next two years to increase output of calcined petroleum coke for the aluminium industry.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1561-62	1590-91
Previous	1540-42	1570-72
High/low		1598/1586
AM Official	1562-63	1590-91
Kerb close		1587-8
Open int.	219,213	
Total daily turnover	57,292	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1345-55	1380-90
Previous	1335-40	1372-75
High/low		
AM Official	1345-55	1385-90
Kerb close		1375-80
Open int.	4,734	
Total daily turnover	1,972	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	754.5-5.5	749.5-50.5
Previous	724-25	720-1
High/low		751/732
AM Official	748-49	740.5-41.5
Kerb close		746-7
Open int.	34,244	
Total daily turnover	16,382	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8455-65	8555-65
Previous	8185-95	8295-305
High/low	8465	8570/8400
AM Official	8465-70	8555-60
Kerb close		8555-60
Open int.	40,510	
Total daily turnover	12,263	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6220-30	6265-70
Previous	6145-55	6180-200
High/low		6275/6245
AM Official	6210-15	6245-55
Kerb close		6280-70
Open int.	15,621	
Total daily turnover	3,161	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1057-58	1073-74
Previous	1027-28	1045-46
High/low		1075/1059
AM Official	1048-49	1064-65
Kerb close		1072-3
Open int.	75,315	
Total daily turnover	30,637	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2564-66	2516-16
Previous	2550-53	2502-3
High/low	2570	2533/2508
AM Official	2570-71	2516-17
Kerb close		2507-9
Open int.	175,512	
Total daily turnover	68,096	

■ LME AM Official £/$ rate: 1.5063
LME Closing £/$ rate: 1.5105

Spot: 1.5108 3 mths: 1.5079 6 mths: 1.5053 9 mths: 1.5020

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	115.75	-0.35	117.70	115.60	770	2,647
Mar	114.80	-0.85	116.80	114.70	9,002	26,376
Apr	113.40	-0.40	114.80	113.40	18	1,051
May	112.10	-0.70	113.80	112.10	1,699	7,905
Jun	110.85	-0.70	112.70	112.70	23	710
Jul	109.85	-0.55	111.40	109.85	249	3,020
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	405.30-405.70		
Opening	403.00-403.50		
Morning fix	403.20	267.605	489.888
Afternoon fix	405.55	268.719	490.513
Day's High	406.00-406.40		
Day's Low	402.20-402.60		
Previous close	405.00-405.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.14	6 months	2.60
2 months	3.01	12 months	2.33
3 months	2.97		

Silver Fix	p/troy oz.	US cts equiv.
Spot	366.40	552.00
3 months	371.00	557.80
6 months	375.55	563.45
1 year	385.25	575.05

Gold Coins	$ price	£ equiv.
Krugerrand	402-405	266-268
Maple Leaf	417.25-419.80	
New Sovereign	93-96	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	405.6	+1.5	406.5	402.1	36,350	8,311
Apr	408.5	+1.5	408.8	405.0	68,826	114,902
Jun	410.5	+1.5	410.9	406.9	7,858	33,501
Aug	412.0	-3.0	412.0	412.0	287	10,372
Oct	413.5	+1.5	414.6	414.6	10	4,116
Dec	415.0	+1.5	415.4	413.0	535	12,775
Total					113,999	223,006

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	423.0	+0.4	423.9	421.0	1,205	18,445
Jul	424.7	+0.4	425.5	424.5	18	3,059
Oct	426.4	+0.4	427.5	427.5	52	1,163
Jan	428.0	+0.4	434.0	434.0	1	54
Total					1,275	22,721

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	130.45	+1.05	130.50	129.00	329	4,805
Jun	131.85	+1.05	131.25	131.25	85	2,016
Dec	135.60	+2.30	-	-	1	30
Total					416	6,861

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	558.8	+2.5	560.5	553.0	14,638	59,633
May	563.6	+2.6	565.0	560.0	914	15,388
Jul	567.7	+2.6	569.0	564.5	77	8,438
Sep	571.7	+2.7	573.0	569.5	110	9,722
Dec	577.8	+2.8	578.0	575.0	41	8,002
Jan	580.5	+2.8	-	-	3	2
Total					15,785	103,166

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	17.70	+0.14	17.76	17.35	34,548	82,250
Apr	17.35	+0.11	17.41	17.05	19,247	52,991
May	17.17	+0.08	17.25	16.95	7,780	38,824
Jun	17.08	+0.08	17.12	16.86	6,829	34,525
Jul	17.00	+0.07	17.03	16.80	2,805	31,103
Aug	16.95	+0.05	17.00	16.86	2,048	16,449
Total					83,974	393,860

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	16.54	+0.17	16.55	16.28	15,861	61,556
Apr	16.17	+0.16	16.17	15.94	9,087	37,420
May	15.99	+0.16	15.99	15.81	1,370	16,730
Jun	15.88	+0.15	15.88	15.75	1,085	17,715
Jul	15.71	+0.07	15.74	15.63	740	8,456
Aug	15.65	-	-	-	-	5,090
Total					25,000	176,613

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	53.50	+1.22	53.60	52.00	18,507	12,419
Mar	51.60	+0.48	52.00	50.85	16,999	36,931
Apr	49.25	+0.28	49.50	48.75	4,931	14,842
May	47.50	+0.33	47.50	47.00	2,129	9,350
Jun	46.65	+0.13	46.75	46.25	1,540	10,523
Jul	46.65	+0.08	46.75	46.25	1,329	6,352
Total					48,760	10,665

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	157.00	+1.25	157.50	155.50	7,869	25,796
Mar	151.75	+0.25	152.50	150.50	5,483	18,893
Apr	147.75	-0.25	149.00	147.75	1,015	10,126
May	146.00	-	146.50	146.00	62	4,852
Jun	145.50	-0.25	146.00	145.50	295	5,873
Jul	145.50	-0.25	146.00	145.50	547	4,885
Total					15,003	76,876

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.660	+0.156	2.700	2.456	24,645	28,784
Apr	2.160	+0.058	2.204	2.095	5,566	17,486
May	2.050	+0.056	2.055	1.990	3,267	15,534
Jun	1.945	+0.031	1.954	1.900	1,099	10,764
Jul	1.900	+0.016	1.900	1.875	984	8,868
Aug	1.880	+0.006	1.880	1.865	934	8,448
Total					40,134	139,416

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	54.00	+0.63	54.60	53.25	10,232	7,151
Mar	53.30	+0.89	53.50	52.25	8,700	22,932
Apr	55.05	+0.69	55.10	54.30	4,100	14,585
May	54.80	+0.64	54.90	54.15	2,076	7,851
Jun	54.30	+0.64	54.30	53.75	1,225	4,785
Jul	53.60	+0.64	53.70	53.00	45	5,559
Total					26,854	63,849

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	124.30	+0.45	124.20	124.15	388	2,335
May	126.25	+0.25	126.90	126.15	258	3,645
Jul	120.30	+0.25	120.50	120.00	22	504
Sep	113.65	+0.30	113.25	113.25	15	160
Nov	114.80	+0.30	114.80	114.25	55	1,207
Jan	116.75	+1.00	-	116.25	10	26
Total					748	7,877

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	519.50	-0.75	527.50	513.00	25,495	44,102
May	485.50	-4.25	493.00	484.00	7,108	12,857
Jul	447.00	-4	455.50	445.00	14,442	35,178
Sep	448.00	-5.5	455.00	444.50	683	6,592
Dec	455.00	-3	463.00	453.00	770	3,380
Jul	388.50	-1.5	390.00	390.00	22	147
Total					48,512	102,059

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	369.00	+1.25	369.50	365.25	50,086	185,611
May	373.00	+1.5	373.50	369.25	20,947	127,911
Jul	369.00	+1.75	368.75	364.00	13,809	90,680
Sep	344.00	+0.25	345.50	343.75	2,133	27,224
Dec	298.50	-0.25	300.50	297.50	8,773	56,565
Mar	303.50	-0.75	305.00	303.25	239	3,571
Total					95,987	493,275

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	115.25	+0.15	-	-	-	711
May	117.25	+0.50	116.75	116.75	5	381
Sep	109.00	+0.65	109.00	109.00	-	29
Nov	111.30	+0.60	111.30	111.20	20	149
Jan	113.50	+1.00	-	-	-	32
Total					30	1,270

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	738.75	+2.25	743.00	733.50	32,563	80,077
May	747.75	+2.75	751.50	741.50	8,906	33,667
Jul	750.50	+3	753.00	745.50	7,636	32,654
Aug	743.00	+4.75	749.50	744.00	136	3,103
Sep	723.00	+2.5	726.00	719.00	236	2,754
Nov	706.25	+3.5	708.00	703.00	5,849	37,402
Total					55,394	193,115

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.39	+0.14	24.67	24.28	8,435	42,363
May	24.67	+0.1	24.98	24.62	3,160	19,538
Jul	25.05	+0.09	25.35	25.00	2,407	14,168
Aug	25.20	+0.09	25.50	25.17	116	4,013
Sep	25.34	+0.12	25.60	25.30	176	2,043
Oct	25.47	+0.12	25.70	25.35	45	1,646
Total					14,630	80,458

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	236.3	+0.7	236.7	233.3	8,772	41,829
May	236.0	+0.5	236.5	233.1	4,187	20,496
Jul	235.5	+0.5	235.5	232.8	2,808	18,376
Aug	234.0	+1	234.0	232.0	270	3,116
Sep	233.3	+0.3	233.5	232.0	267	2,522
Oct	227.7	+0.7	228.0	225.0	43	1,311
Total					16,238	92,007

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	200.0	-	-	-	-	-
Apr	179.0	+2.5	181.0	178.0	68	331
May	200.0	-	-	-	-	9
Jun	225.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total						968

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1516	-	-	1520	-	900
Feb	1415	+5	1410	1390	37	400
Mar	1405	-8	1410	1395	48	425
Apr	1400	-7	1400	1395	77	1,361
Jul	1275	-13	1285	1275	24	1,213
Oct	1338	-17	1340	1340	20	434
Total					190	4,777

	Close	Prev
BFI	1503	1510

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kamilco Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,450 CFR/FOT MEP; 28/28 3,550 CFR/FOT MEP – roasted and salted 28/30 at 3,925 ex-Hamburg, vacuum pack. US almonds (shelled) 18/20 NPS 1995 crop at 6,000 FAS. Increased trade at lower prices. US walnuts LHP 20% – steady at 6,150 FAS California, should start falling soon. Indian cashews: 1995 crop, raw: W-320, 5,775 CFR MEP; W-240 5,850 CFR MEP; both falling on increased availability. Turkish hazelnut kernels, 13/15 standard [illegible] 1995 crop at 2,550 CFR MEP; exports still slow but activity greater [illegible]. Russian snow white pumpkin seeds: 1995 crop, long, grade A, at 2,300 FCA MEP; round, 2,350 FOB MEP, Chinese grade A pine kernels, 1995 crop at 5,650, spot UK or 4,900 CFR from origin.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	907	-4	910	904	622	22,929
May	929	-3	931	925	927	17,834
Jul	949	-4	952	947	382	9,655
Sep	968	-4	972	967	242	34,916
Dec	988	-3	990	986	247	12,434
Mar	1009	-	1010	1005	322	27,216
Total					2,742	132,819

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1242	-7	1259	1241	5,684	30,216
May	1268	-6	1284	1267	2,967	25,714
Jul	1292	-4	1306	1290	1,083	9,676
Sep	1311	-7	1327	1311	1,009	9,370
Dec	1343	-7	1352	1350	58	9,307
Mar	1373	-6	1373	1373	388	7,070
Total					11,540	93,702

■ COCOA (ICCO) (SDR's/tonne)

Jan 30	Price	Prev. day
Daily	917.93	922.32

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	2200	+167	1990	1990	32	93
Mar	2200	+129	2200	2030	3,829	16,928
May	2033	+119	2030	1880	2,295	11,705
Jul	1960	+132	1960	1795	638	4,063
Sep	1913	+102	1910	1770	850	2,055
Nov	1897	+97	1895	1755	211	808
Total					7,655	35,730

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	128.60	+8.05	131.50	120.00	6,931	14,090
May	126.80	+8.50	129.50	116.80	3,423	8,496
Jul	125.05	+7.55	123.50	117.75	441	3,230
Sep	123.60	+7.10	122.50	117.20	157	1,715
Dec	122.35	+6.85	121.50	116.75	92	1,083
Mar	123.15	+8.15	121.00	121.00	14	215
Total					11,058	28,863

■ COFFEE (ICO) (US cents/pound)

Jan 30	Price	Prev. day
Comp. daily	111.28	113.76
15 day average	101.36	100.14

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.90	-	-	-	-	-
May	11.55	-0.10	-	-	-	-
Jul	11.55	-0.10	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	373.8	-2.3	376.5	373.0	1,103	9,531
May	357.0	-1.1	357.8	355.5	689	10,557
Aug	341.0	+1.9	340.5	338.5	290	5,477
Oct	314.3	+2.4	314.5	311.1	132	4,006
Dec	306.3	+1.9	304.4	302.8	-	2,455
Mar	303.5	+2.8	301.2	300.7	22	575
Total					2,237	32,855

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.15	-0.21	12.28	12.08	13,710	83,092
May	11.34	-0.10	11.38	11.24	6,940	34,295
Jul	10.45	-	10.47	10.37	2,390	21,487
Oct	10.16	-	10.17	10.08	1,673	22,136
Mar	9.95	+0.02	9.95	9.90	307	12,527
May	9.81	+0.02	9.82	9.81	16	1,899
Total					25,051	156,422

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	85.89	-1.39	86.75	85.35	5,797	21,500
May	86.20	-1.10	86.90	85.66	3,388	14,686
Jul	85.85	-0.98	86.45	85.00	1,194	8,540
Oct	79.50	-0.50	79.60	78.75	109	1,969
Dec	77.35	-0.35	77.50	77.00	422	12,298
Mar	78.10	-0.35	79.00	-	1	983
Total					10,911	59,482

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	126.25	+7.05	126.50	120.05	1,443	14,310
May	124.70	+5.00	124.70	121.50	729	4,466
Jul	125.95	+5.00	125.95	121.50	51	1,373
Sep	126.30	+4.90	126.30	122.00	180	1,282
Nov	122.50	+5.00	122.50	120.00	110	595
Jan	122.95	+5.00	122.95	118.50	168	1,306
Total					2,661	23,650

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 31	Jan 30	month ago	year ago
2175.5	2179.5	2081.4	2260.4

■ CRB Futures (Base: 1967=100)

Jan 30	Jan 29	month ago	year ago
245.45	244.66	241.32	232.78

■ GSCI Spot (Base: 1970=100)

Jan 30	Jan 29	month ago	year ago
193.83	190.66	203.50	175.48

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.025	+0.750	64.125	63.100	6,135	17,609
Apr	63.850	+0.475	64.200	63.150	7,430	29,909
Jun	61.550	+0.525	61.650	61.000	2,089	14,243
Aug	60.450	+0.225	60.600	60.175	880	6,861
Oct	61.425	+0.075	61.550	61.250	848	6,658
Dec	61.075	-0.150	61.400	60.925	370	3,082
Total					17,825	79,029

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	46.625	-0.525	47.650	46.350	1,494	6,320
Apr	44.350	-0.550	45.750	43.900	2,290	12,701
Jun	50.000	-0.450	51.200	49.550	834	7,655
Jul	48.725	-0.575	49.650	48.400	193	2,475
Aug	47.225	-0.650	48.425	46.900	163	3,169
Oct	43.525	-0.275	44.550	43.400	136	1,744
Total					5,250	35,789

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	55.150	-2.000	57.375	55.150	1,104	2,488
Mar	54.900	-1.800	57.100	54.700	472	1,861
May	55.500	-1.300	57.250	55.000	259	1,287
Jul	55.800	-1.000	56.900	54.950	145	999
Aug	52.500	-1.350	53.675	52.300	88	242
Total					2,068	6,877

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	66	105	3	21
1600	6	47	41	62
1700	3	16	135	131
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2400	-	157	-	36
2500	66	95	5	73
2600	13	52	55	129
■ COFFEE LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ COCOA LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	28	32	-	-
1700	5	16	-	-
1750	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.55-5.57w	+0.01
Brent Blend (dated)	$16.62-6.64	+0.04
Brent Blend (Mar)	$16.45-6.47	+0.07
W.T.I.	$17.64-7.66w	+0.105

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$167-169	
Gas Oil	$161-162	+1
Heavy Fuel Oil	$95-97	+2
Naphtha	$169-171	+2.5
Jet fuel	$180-182	+1
Diesel	$166-168	+1

Petroleum Argus. Tel. London (0171) 359 8792

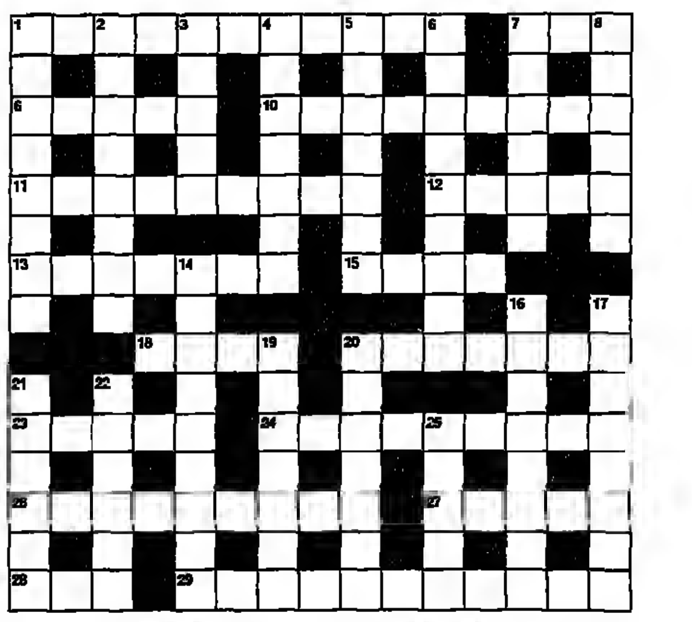
■ OTHER

Gold (per troy oz)♣	$405.50	+0.30
Silver (per troy oz)♣	554.5c	-1.0
Platinum (per troy oz.)	$420.00	-0.25
Palladium (per troy oz.)	$127.75	-0.50
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.76m	-0.04
Tin (New York)	294.5c	+3.0
Cattle (live weight)†	119.30p	+0.43*
Sheep (live weight)†♠	132.50p	+7.90*
Pigs (live weight)†	108.54p	+5.40*
Lon. day sugar (raw)	$339.0	+3.9
Lon. day sugar (wte)	$387.0	-1.7
Barley (Eng. feed)	121.5u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	103.50p	
Rubber (Apr)♥	103.50p	
Rubber (KL RSS No1)	382.5m	-3.5
Coconut Oil (Phil)§	$730.0y	+2.5
Palm Oil (Malay.)§	$512.5y	+2.5
Copra (Phil)§	464	
Soyabeans (US)	211.0	+1.0
Cotton Outlook'A' index	87.25	-0.40
Wooltops (64s Super)	450p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb. w Mar. y Feb/Mar. x Oct/Dec. London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

CROSSWORD

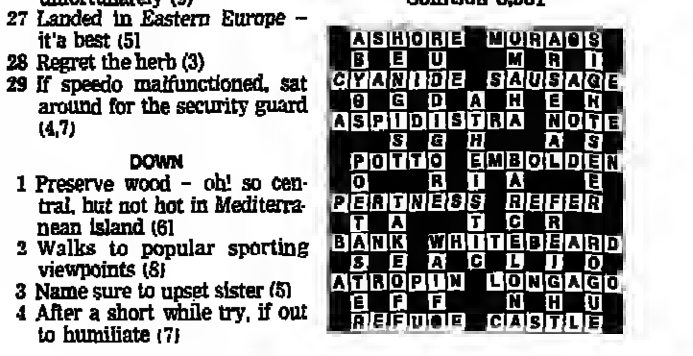
No.8,982 Set by ADAMANT



ACROSS
1 About to give a beating, the rotter Jerry was toying with his victim (3,3,5)
7 A second square person without any brains (3)
9 The monarch leads royal objections regarding the mistake (5)
10 An embarrassed landlord is something special (3,6)
11 The more imposing Virginia, say, left one expressing hesitation (9)
12 Award for the president (5)
13 Treatment he gets in revolutionary party (7)
15 People follow love sign (4)
18 Employed American editor (4)
20 He has promised union to accept new supply of money (7)
23 Maps produce by a retired seaman (5)
24 Love responds badly when promoted to the public (9)
26 Friend of Di cannot duck out unfortunately (9)
27 Landed in Eastern Europe – it's best (5)
28 Regret the herb (3)
29 If speedo malfunctioned, sat around for the security guard (4,7)

DOWN
1 Preserve wood – oh! so central, but not hot in Mediterranean island (6)
2 Walks to popular sporting viewpoints (5)
3 Name sure to upset sister (5)
4 After a short while try, if out to humiliate (7)
5 Two articles from Europe have a shot at experience (7)
6 The holly and the ivy, for example, is a popular classic (9)
7 When carrier was off course (6)
8 A girl's rise to higher levels? (6)
14 When the regiment makes mistakes, they are killers (9)
16 Robots together with one in bars (8)
17 Be in front of the others in the frame (8)
19 Spinning stick on underworld river (7)
20 Imprisoned thug was given meal, but legally treated with contempt (7)
21 Swordbearer of the French right absorbed Mandela's party (6)
22 Dive in to use breathing apparatus during exercise (6)
25 Brush off – she starts to cry (5)

Solution 8,981



INTERNATIONAL CAPITAL MARKETS

Treasuries volatile after Fed cuts rates

By Maggie Urry in New York and Martin Brice in London

US Treasury bonds jumped yesterday as the Federal Open Market Committee announced an interest rate cut at the end of its two day meeting. However, the enthusiasm for the cut was short-lived and bond prices were volatile in busy two-way trade.

The Fed reduced its target rate by a quarter of one percentage point to 5¼ per cent, and the discount rate by the same amount to 5 per cent. It cited moderating economic expansion and subdued inflation for its decision, which was unanimous.

Shortly after the early afternoon announcement, the benchmark 30-year Treasury was ⅝ higher at 111⅛ to yield 6.011 per cent, while at the short end of the maturity spectrum the two-year note was up ¼ at 100¾, yielding 4.917 per cent.

Bonds have been firm lately in anticipation of a cut, which came only six weeks after the previous reduction in December. It is the third easing of monetary policy by the Fed after the tightening begun in early 1994.

The market had to contend with news that next week's Treasury auctions will be the biggest on record, raising $44.5bn of which $13.2bn will be new cash.

The sale will comprise $18.5bn of three-year notes, $14bn of 10-year notes and $12bn of 30 year bonds. Before the auction can go ahead the Treasury must put in place measures to avoid breaching the $4,900bn debt ceiling.

■ In Germany, meanwhile, bonds closed lower despite a 15 basis point cut in the German repo rate to 3.4 per cent. Traders attributed the fall to profit-taking, said to be by hedge funds, and technical trading.

Mr David Brown, chief European economist at Bear Stearns International, said the markets had been "whip-sawed between interest rate expectations on both sides of the Atlantic. We are in a very strong round of European interest rate disarmament now, which will extend for many months ahead. Europe is in the doldrums and with Emu's fiscal austerity acting like a millstone, substantially lower rates ahead are the only way out of the crisis."

Investors were waiting for the outcome of the Bundesbank council meeting today. Mr Brown at Bear Stearns said: "With the Bundesbank accelerating its pace of repo easing, from 8, to 10, to 15 basis points off rates, we reckon the chances of a discount rate cut tomorrow have improved from 55:45 in favour to 65:35 in favour."

Mr Karl Haeling, head of futures and options at Deutsche Morgan Grenfell in Frankfurt, said the size of the cut had led to a reassessment by some investors of German interest rates.

He said: "Rightly or wrongly, people are perceiving that the end of the interest rate fantasy is nearly on us. Some are saying that interest rate cuts are so widely anticipated that they can only provide disappointment when they come."

The yield on benchmark two-year paper increased 1 basis point and that on 10-year paper by 2 points, with the spread between the two maturities settling at 224 points.

On Liffe the March 10-year bund future closed at 100.27, down 0.21. The yield spread of 10-year bunds over Treasuries moved from 17 to 22 basis points.

GOVERNMENT BONDS

■ French government bonds were lifted by poor unemployment data and the March Notionnel future on Matif closed up 0.10 at 122.88.

Hopes of an imminent cut in the intervention rate buoyed the short end of the curve, and yields on two-year paper fell 6 basis points while yields on the 10-year area rose 2 points with the spread between the two maturities at 193.

Ms Phyllis Reed, European bond strategist at BZW, said more steepening could lead the French yield curve to steepen to German levels, where the two to 10-year spread is around 220 points. The spread over bunds tightened 2 basis points to 47 points.

■ Italian bonds followed bunds, and the March bond future on Liffe closed up 0.45 at 112.40 but surged in late afternoon when a resolution of the political crisis was believed to be nearer. The spread over 10-year bunds narrowed 8 basis points to 432.

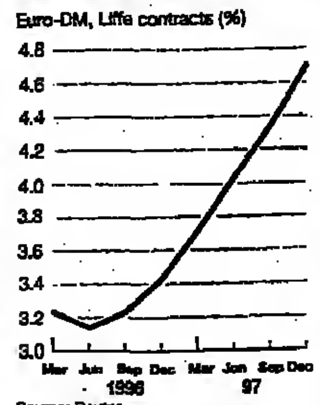
■ UK government bonds were dragged down by a disappointing gilt auction. Although the auction cover was 1.96 times and the tail was 2 basis points, the lowest accepted price was 1/32 below the pre-auction market level at 105, where it yielded 6.76 per cent.

A trader said: "People don't necessarily want the stock but they are happy to take it on at these levels." Mr Andrew Roberts, analyst at UBS said the result was a disappointment because "the gilt market offers more value than any other European market just now".

On Liffe the March long gilt future closed at 110⅜, down ⅞.

Interest rate expectations

Euro-DM, Liffe contracts (%)



Source: Reuter

The 10-year yield spread over Germany moved from 169 to 173 basis points. On two-year paper yields rose 3 points and on 10-year paper by 5 points, with the spread between the maturities at 124 basis points.

■ The yield spread of 10-year Swedish government bonds over bunds narrowed by 6 basis points to 242 points on hopes of further repo rate cuts from the Riksbank. Ms Wike Groenenberg, an economist at Salomon Brothers, said 20 or 25 basis points could come off the repo rate within two weeks.

Croatia borrows DM50m to help rebuild tourism

By Gavin Gray in Zagreb

Croatia has completed its debut issue in the international syndicated loan market in the first of a series of international borrowings to fund the rebuilding of its shattered economy. The DM50m credit will be used to reconstruct the tourism sector.

Another, similar, credit for the tourism industry is under negotiation with the European Bank for Reconstruction and Development.

SYNDICATED LOANS

The loan, lead-managed by Raiffeisen Zentralbank of Austria, will be extended to HBOR, a state-owned reconstruction bank. RZB assembled a 16-bank syndicate comprising mainly German and Austrian Landesbanks. The loan was 20 per cent oversubscribed and closed after 10 days of syndication.

The facility was signed on Tuesday in Dubrovnik, a city on Croatia's Dalmatian coast that was one of Europe's most popular holiday resorts in the 1970s and 1980s but heavily shelled in November 1991, during the war that followed Croatia's declaration of independence from Yugoslavia.

Dalmatia's tourism industry generated 30 per cent of former Yugoslavia's hard currency earnings and the Croatian authorities regard this sector as their best hope for economic revival. But they urgently need loans to repair hotels that were damaged either during the fighting or because they have been used to house refugees from the conflict.

Until recently, Western banks have been reluctant to extend credit lines to Croatia but the country's political risk standing has improved following the signing of the Dayton peace agreement and the Croatian army's assault last August on Krajina, a region of Croatia formerly occupied by rebel Serbs.

Even so, HBOR is paying a high margin of 275 basis points over the London interbank offered rate for a loan with a maturity of only 18 months.

Western bankers expect Croatia's access to the international debt markets to improve when it reaches an agreement with the London Club of commercial bankers on the share it will assume of former Yugoslavia's $4.65bn bank debt.

A settlement is expected in March and Mr Bozo Prka, the Croatian finance minister, has said this will be followed by an application this year for an international credit rating and by a US$350m eurobond issue – the country's first issue in that market.

● Şişecam, the Turkish glass manufacturer, has obtained a $50m three-year loan, making it the first Turkish corporate borrower to raise a medium-term debt facility in more than a year, writes Conner Middelmann. The facility, arranged by J.P. Morgan, was increased from the launch amount of $30m to accommodate over-subscriptions.

Banks participating in the syndication were Morgan Guaranty Trust, Crédit Lyonnais, Union Bank of Switzerland, Bank of Tokyo, Banque Française du Commerce Extérieur and Işbank GmbH. The interest margin on the deal was not disclosed.

Şisecam was founded in 1935 to produce hand-made glassware and has since become a successful exporter of flat glass, container glass and table-ware. It also dominates the domestic glass market, with an 85 per cent market share.

Two US banks tap FRN sector

By Conner Middelmann

Taking advantage of continued demand for floating-rate paper, several issuers again tapped that sector yesterday, including two US investment banks.

Morgan Stanley issued DM300m of three-year notes paying a coupon of three-month Libor plus 18.75 basis points. Meanwhile, Merrill Lynch increased an outstanding issue with a coupon of Libor plus 20 basis points by $150m.

Five US investment banks have tapped the floating-rate market in the past three weeks raising close to $1bn, and more are expected to surface.

"The market is in great shape and there isn't a lot of supply around – especially with double-digit spreads [over Libor]," said one dealer.

The day's largest floating-rate note issue came for National Australia Bank, which issued $500m of one-year notes via BZW and Morgan Stanley.

INTERNATIONAL BONDS

The paper pays a coupon of Libor less 10 basis points and was being sold at around 7 basis points below Libor. That compares favourably with NAB's commercial paper, which pays Libor less 11 basis points, said one dealer – who reported healthy buying by money-market fund managers, traditional holders of CP.

The deal also benefited from the rarity appeal of one-year floating-rate paper.

More variable-rate supply came in the form of $300m of five-year notes for Argentaria Global Finance, increasing a $400m deal launched in early January via Deutsche Morgan Grenfell.

DePfa's DM2bn seven-year global Pfandbrief issue held up well on its first day of trading, with the 18 basis point launch spread over bunds narrowing by 2 basis points after the bonds were freed to trade.

Two more jumbo Pfandbriefe – albeit purely domestic ones – also surfaced yesterday: DM1bn for Deutsche Hypothekenbank and DM1bn for Hypothekenbank Essen.

Looking ahead, the Export-Import Bank of Korea is expected to issue $500m of global bonds within the next two weeks via Lehman Brothers and Salomon Brothers.

Disney's long-rumoured global bond is also taking shape after roadshows in Europe last week.

CS First Boston and Merrill Lynch are thought to have won the mandate to lead the $1bn to $1.5bn offering, which is seen coming to the market within the next four to six weeks.

Disney is expected to borrow up to $5bn this year to help fund its $19bn acquisition of Capital Cities/ABC last summer.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
National Australia Bank(a)‡	500	(a)	99.99	Feb 1997	0.05	-	BZW/Morgan Stanley Intl
Argentaria Global Finance(b)‡	300	(b1)	99.85	Feb 2001	0.15	-	Deutsche Morgan Grenfell
Merrill Lynch & Co(c)‡	150	(c1)	99.75R	Feb 2000	0.25R	-	Merrill Lynch International
D-MARKS							
Morgan Stanley Group‡	300	(d)	99.88R	Feb 1999	0.20R	-	Morgan Stanley Bank
City of Copenhagen	100	6.125	99.815R	Mar 2005	0.325R	-	DKB (Deutschland)
SWISS FRANCS							
European Investment Bank	250	4.50	102.80	Mar 2006	2.25	-	Credit Suisse
[illegible]	100	4.25	103.125	Mar 2003	2.50	-	Bank of Tokyo/SBC Warburg
CANADIAN DOLLARS							
[illegible]	100	6.625	100.325R	Dec 2001	0.25R	+13(7¾%-01)	Kredietbank Intl Group
DANISH KRONER							
Kingdom of Sweden§	400	5.50	102.50	May 2002	1.875	-	Bank Brussels Lambert

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor –10bp. b) $400m launched 8/1/96 increased to $700m. b1) 3-mth Libor flat. c) Fungible with $100m. No accrued. c1) 3-mth Libor +20bp. d) 3-mth Libor +¼%. § Long first coupon. ¶ Short first coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.3800	-	8.17	8.13	8.48
Austria		6.500	11/05	102.1100	–0.050	6.20	6.13	6.50
Belgium		6.500	03/05	100.9500	-	6.36	6.27	6.76
Canada *		8.750	12/05	112.3200	–0.610	6.99	7.07	7.40
Denmark		8.000	03/06	106.2600	–0.280	7.11	6.93	7.39
France	BTAN	7.000	10/00	106.6250	+0.130	5.37	5.37	5.92
	OAT	7.250	03/05	106.3000	–0.040	6.38	6.32	6.75
Germany Bund		6.000	01/06	100.7800	–0.080	5.89	5.79	6.12
Ireland		8.000	08/06	104.6500	-	7.34	7.25	7.56
Italy		10.500	09/05	103.3300	+0.450	9.95†	9.97	10.95
Japan	No 129	6.400	03/00	117.5900	–0.080	1.81	1.77	1.42
	No 174	4.600	09/04	111.0690	–0.080	2.99	3.00	2.70
Netherlands		6.000	01/06	100.6200	–0.120	5.91	5.80	6.15
Portugal		11.875	02/05	114.6500	–0.350	9.40	9.20	10.02
Spain		10.150	01/06	102.5300	–0.030	9.54	9.34	9.94
Sweden		6.000	02/05	85.6350	+0.170	8.33	8.25	8.74
UK Gilts		8.000	12/00	104-25	–8/32	6.82	6.64	6.88
		8.500	12/05	108-29	–14/32	7.49	7.30	7.53
		9.000	10/08	110-26	–16/32	7.65	7.47	7.69
US Treasury *		5.675	11/05	102-03	+7/32	5.59	5.61	5.86
		6.875	08/25	111-21	+5/32	6.03	6.04	6.20
ECU (French Govt)		7.500	04/05	104.8100	–0.050	6.80	6.67	7.09

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.29	Two year	4.99
Prime rate	8½	Two month	5.13	Three year	5.09
Broker loan rate	7¼	Three month	5.10	Five year	5.29
Fed.funds	5⅞	Six month	5.01	10-year	5.61
Fed.funds at intervention	-	One year	4.95	30-year	6.04

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	123.00	122.78	–0.02	122.96	122.76	197,255	141,336
Jun	123.52	123.28	–0.02	123.69	123.22	2,544	15,093
Sep	122.32	122.08	–0.02	122.40	122.14	177	2,262

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
120	2.90	-	-	0.08	0.56	-
121	2.01	-	-	0.19	0.80	-
122	1.25	-	2.10	0.46	1.07	2.05
123	0.61	1.80	-	0.87	1.47	-
124	0.27	1.25	-	1.46	2.00	-

Est. vol. total, Calls 34,829 Puts 21,195. Previous day's open int., Calls 186,902 Puts 165,029.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.69	100.28	–0.20	100.86	100.10	226555	237377
Jun	99.95	99.53	–0.21	100.00	99.42	2138	10655

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
10000	0.75	0.65	0.87	1.07	0.47	1.12	1.34	1.54
10050	0.47	0.45	0.67	0.85	0.69	1.42	1.64	1.82
10100	0.27	0.30	0.50	0.67	0.99	1.77	1.97	2.14

Est. vol. total, Calls 30261 Puts 17568. Previous day's open int., Calls 238181 Puts 193586

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112.25	112.53	+0.58	112.69	111.76	63048	64023
Jun	111.85	112.05	+0.56	111.85	111.35	322	2647

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11250	1.10	2.17	1.07	2.62
11300	0.86	1.94	1.33	2.89
11350	0.65	1.73	1.62	3.18

Est. vol. total, Calls 9240 Puts 2480. Previous day's open int., Calls 82854 Puts 67391

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.67	96.71	–0.02	97.37	96.37	115,082	45,816
Jun	-	96.50	-	-	-	-	1

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111-01	110-14	-0-14	111-10	110-09	87537	140275
Jun	110-10	109-23	-0-14	110-15	109-27	206	1311

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
110	1-10	1-12	1-35	1-54	0-46	1-30	1-53	2-08
111	0-42	0-51	1-08	1-25	1-14	2-05	2-28	2-43
112	0-21	0-32	0-51	1-02	1-57	2-50	3-05	3-20

Est. vol. total, Calls 5440 Puts 2149. Previous day's open int., Calls 31445 Puts 27191

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.60	91.48	+0.08	91.48	91.42	1,706	5,088

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-21	120-22	-	120-28	120-13	255,495	328,588
Jun	120-07	120-07	-	120-13	119-31	3,274	32,701
Sep	119-20	119-23	-	119-27	119-05	510	6,038

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.65			119.77	119.65	2961	0
Jun	118.24			118.28	118.20	568	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 31	Day's change %	Tue Jan 30	Accrued interest	xd adj. ytd		Low coupon yield Jan 31	Jan 30	Yr. ago	Medium coupon yield Jan 31	Jan 30	Yr. ago	High coupon yield Jan 31	Jan 30	Yr. ago
1 Up to 5 years (22)	123.96	–0.01	123.97	2.77	0.12	5 yrs	6.99	6.85	8.53	6.92	6.89	8.54	7.00	6.96	8.72
2 5-15 years (21)	150.83	–0.23	151.40	2.67	0.22	15 yrs	7.71	7.67	8.43	7.74	7.70	8.55	7.82	7.79	8.76
3 Over 15 years (8)	166.87	–0.35	167.24	2.67	1.02	20 yrs	7.81	7.78	8.40	7.84	7.80	8.55	7.89	7.86	8.67
4 Irredeemables (6)	191.73	–0.32	192.33	2.48	0.00	Irred.†	7.90	7.87	8.46						
5 All stocks (57)	145.54	–0.18	145.80	2.78	0.31										

Index-linked							Inflation 5% Jan 31	Jan 30	Yr. ago	Inflation 10% Jan 31	Jan 30	Yr. ago
6 Up to 5 years (1)	198.34	–0.01	198.31	2.35	0.00	Up to 5 yrs	2.45	2.45	3.82	1.21	1.21	2.53
7 Over 5 years (11)	188.98	–0.21	189.38	1.25	0.00	Over 5 yrs	3.58	3.56	3.88	3.38	3.36	3.69
8 All stocks (12)	189.06	–0.20	189.45	1.28	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25	Yr ago	High*	Low*
Govt. Secs. (UK)	95.31	95.56	95.46	95.62	95.99	91.53	98.34	90.22
Fixed Interest	114.07	114.12	114.27	114.57	114.91	109.64	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24
Gilt Edged bargains	115.6	94.5	97.4	92.3	84.1
5-day average	97.6	93.4	93.6	94.5	96.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99¼	99⅞		5.26
Abbey Natl Treasury 6½ 03	1000	103⅛	103	+⅛	6.02
ABN Amro Bank 7¼ 05	1000	107⅜	107⅝	+⅛	6.29
African Dev Bk 7⅜ 23	500	106⅞	101½	+⅛	6.81
[illegible]					
Sweden 6 97	2500	101⅞	101¼	+⅛	3.74
United Kingdom 7⅜ 97	5500	105¾	105⅞	+⅛	3.85
Volkswagen Intl Fin 7 03	1000	104⅞	105¼		6.15
World Bank 0 15	2000	30¼	30⅞	+⅛	8.11
World Bank 5¾ 00	2000	100⅞	101	+⅛	5.73
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101⅛	101½		7.74
Alliance Leics 11⅜ 97 £	103	105⅞	106⅛		6.36
British Land 8⅞ 23 £	150	93	93½	–¼	9.83
Denmark 6¾ 98 £	800	100¼	100⅜		6.62
EIB 8 03 £	1000	102⅝	103⅛	–⅛	7.51
[illegible]					

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Federal Reserve cuts key US interest rates

By Our Markets Staff

The dollar rose on the foreign exchanges yesterday after the US Federal Reserve cut its key interest rates by a quarter point.

The Federal Reserve lowered its Federal funds rate to 5.25 per cent and its discount rate to 5.0 per cent.

The move was followed by the Bank of Canada, which lowered its key interest rates by a quarter point.

The prospect of fresh interest rate cuts had absorbed the attention of the foreign exchange markets throughout most of yesterday's European session, adding a note of uncertainty into trading.

With the FOMC announcement coming after the close of European trading, the dollar consequently moved in a limited range for most of the European session.

Meanwhile in Europe, the Bundesbank's decision to reduce the German repo rate - by 15 basis points to 3.4 per cent - prompted speculation about further European interest rate cuts. Although the German currency was at first slightly dented by the move, it later recovered as the expectation grew that France and other European countries could follow suit.

■ The Bundesbank's decision to reduce its repo rate did not take the markets by surprise: with growth in Germany having weakened markedly in recent months, most traders had already anticipated a small cut.

However, the scale of the cut was slightly larger than the 10 basis points that most dealers had expected.

It also fuelled speculation that the Bundesbank might follow the repo rate cut with a reduction in its discount or Lombard rate at its council meeting today.

However, most dealers said they thought this was unlikely. They said the Bundesbank would probably wait in order to assess the impact of its last rate cut on M3, its measure of the money supply.

But the German move was nevertheless thought likely to trigger further, slight easing elsewhere in Europe.

Belgium, which ties its monetary policy closely to Germany, followed suit immediately: its central rate was reduced to 3.40 per cent from 3.55 per cent and its end-of-day rate to 4.65 per cent from 4.80 per cent.

The Netherlands is also widely expected to cut its special advances rate.

Meanwhile, the Bank of France, which also meets today, is expected to cut its own intervention rate by 20 basis points from its current level of 4.2 per cent.

■ Most European currencies were initially buoyed by the German repo rate cut before the D-Mark recovered later in the session.

The Italian lira rose sharply to end close to its recent highs, while the French franc closed modestly higher against the D-Mark.

"This environment where the Bundesbank is easing rates promotes more rapid growth across Europe and improves countries' chances of meeting the Maastricht criteria for monetary union," said Mr Lawrence Hatheway, senior currency strategist at UBS in London.

The lira found further support from the growing expectation that a new government would be formed soon.

It was also supported by comments by Mr Jean-Claude Trichet, governor of the Bank of France, who said that the Italian currency had the potential to appreciate against other European currencies.

Against the D-Mark, the lira closed higher at L1,071, from L1,074, while the French franc finished at FFr3.433, from FFr3.436. Traders said speculation of a small rate cut in France was likely to weaken the French franc in coming days.

■ Trading in the dollar was subdued during most of the London session ahead of the FOMC meeting. Dealers said the markets had discounted a 25 basis points reduction in US rates at the meeting.

The Canadian dollar rallied strongly, buoyed partly by rumours of a large buy order in London and on speculation that Canadian rates would remain unchanged even if US rates were cut.

In London, the dollar finished at DM1.4879 against the D-mark from DM1.490. It closed at Y106.915 against the yen, from Y107.2.

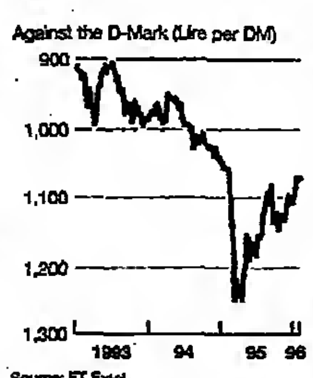
The pound finished slightly stronger against the D-Mark at DM2.2482, from DM2.241. It was also ahead against the dollar at $1.511 from $1.504.

■ Pound in New York

Jan 30	—Latest—	— Prev. close —
£ spot	1.5180	1.5055
1 mth	1.5146	1.5051
3 mth	1.5127	1.5032
1 yr	1.5015	1.4928

Lira

Against the D-Mark (Lire per DM)



Source: FT Extel

■ OTHER CURRENCIES

Jan 31	£	$
Czech Rp	41.1167 - 41.1482	27.2170 - 27.2270
Hungary	214.172 - 214.333	141.770 - 141.820
Iran	4533.00 - 4532.10	3000.00 - 3000.00
Kuwait	0.4526 - 0.4534	0.2997 - 0.3000
Poland	3.8506 - 3.8553	2.5490 - 2.5510
Russia	7163.56 - 7163.74	4740.00 - 4742.00
UAE	5.5483 - 5.5512	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8080	+0.0468	018 - 142	15.8248	15.7527	15.7845	3.3	15.7205	2.2	-	-	106.1
Belgium	(BFr)	46.2215	+0.1147	821 - 609	46.2609	46.1050	46.1165	2.7	45.9115	2.7	45.0715	2.5	108.4
Denmark	(DKr)	8.7003	+0.0262	963 - 043	8.7067	8.6581	8.687	1.8	8.6629	1.7	8.5651	1.6	109.2
Finland	(FM)	6.8804	+0.0083	734 - 874	6.8860	6.8580	6.876	0.8	6.8679	0.7	-	-	85.5
France	(FFr)	7.7178	+0.018	151 - 205	7.7262	7.6951	7.705	2.0	7.6848	1.7	7.5973	1.6	109.4
Germany	(DM)	2.2482	+0.007	473 - 490	2.2503	2.2393	2.2437	2.4	2.2338	2.7	2.1684	2.7	110.5
Greece	(Dr)	371.195	-0.452	013 - 357	372.993	370.502	-	-	-	-	-	-	65.9
Ireland	(I£)	0.9655	+0.0012	647 - 662	0.9665	0.9640	0.9648	1.1	0.9633	0.9	0.9585	0.8	98.0
Italy	(L)	2408.53	+1.65	730 - 977	2413.64	2401.60	2415.68	-3.6	2430.43	-3.6	2489.58	-3.4	73.1
Luxembourg	(LFr)	46.2215	+0.1147	821 - 609	46.2609	46.1050	46.1165	2.7	45.9115	2.7	45.0715	2.5	108.4
Netherlands	(Fl)	2.5171	+0.0078	162 - 180	2.5192	2.5062	2.5109	3.0	2.4982	3.0	2.4474	2.8	108.4
Norway	(NKr)	9.8412	+0.0248	336 - 488	9.8502	9.7789	9.8311	1.2	9.8098	1.3	9.7284	1.1	98.7
Portugal	(Es)	233.263	+0.545	131 - 378	233.403	232.463	233.678	-2.2	234.563	-2.3	-	-	95.5
Spain	(Pta)	189.419	-0.063	326 - 502	189.849	189.128	189.669	-1.6	190.084	-1.4	194.148	-2.6	82.0
Sweden	(SKr)	10.4977	+0.0194	880 - 073	10.5082	10.4402	10.4997	-0.2	10.503	-0.2	10.5162	-0.2	85.8
Switzerland	(SFr)	1.8285	+0.003	273 - 296	1.8337	1.8240	1.8222	4.1	1.8092	4.2	1.7562	4.0	114.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.3
Ecu	-	1.2244	-0.0012	238 - 249	1.2256	1.2209	1.223	1.4	1.2202	1.4	1.2086	1.3	-
SDR†	-	1.036110	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5108	+0.0067	104 - 111	1.5123	1.5050	-	-	-	-	-	-	-
Brazil	(R$)	1.4779	+0.0086	773 - 784	1.4791	1.4722	-	-	-	-	-	-	-
Canada	(C$)	2.0791	+0.0058	783 - 798	2.0850	2.0734	2.0778	0.8	2.0754	0.7	2.0675	0.6	83.7
Mexico	(New Peso)	11.2267	+0.1748	169 - 365	11.2410	11.1268	-	-	-	-	-	-	-
USA	($)	1.5110	+0.0067	107 - 113	1.5125	1.5050	1.5098	1.0	1.5079	0.8	1.4974	0.9	98.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0289	+0.0008	278 - 300	2.0305	2.0194	2.0307	-1.1	2.0346	-1.1	2.0553	-1.3	87.7
Hong Kong	(HK$)	11.6831	+0.0503	800 - 861	11.6938	11.6363	11.6772	0.6	11.6678	0.5	11.6334	0.4	-
India	(Rs)	55.0533	+0.7708	046 - 020	55.2410	54.3060	-	-	-	-	-	-	-
Israel	(Shk)	4.7401	+0.0136	356 - 446	4.7446	4.7259	-	-	-	-	-	-	-
Japan	(Y)	161.549	+0.213	479 - 618	162.020	160.910	160.748	5.9	159.304	5.6	153.249	5.1	136.8
Malaysia	(M$)	3.8695	+0.0165	669 - 700	3.8717	3.8534	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2464	+0.0027	447 - 480	2.2528	2.2406	2.2486	-1.8	2.2582	-2.1	2.2908	-2.0	105.5
Philippines	(Peso)	39.5610	+0.1678	456 - 764	39.5764	39.5456	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6670	+0.025	656 - 683	5.6723	5.6448	-	-	-	-	-	-	-
Singapore	(S$)	2.1446	+0.0077	434 - 457	2.1462	2.1378	-	-	-	-	-	-	-
South Africa	(R)	5.5149	+0.0783	130 - 167	5.5196	5.4988	-	-	-	-	-	-	-
South Korea	(Won)	1186.51	+5.86	620 - 682	1187.62	1181.67	-	-	-	-	-	-	-
Taiwan	(T$)	41.5064	+0.175	974 - 154	41.5489	41.3424	-	-	-	-	-	-	-
Thailand	(Bt)	38.2888	+0.1623	880 - 115	38.3120	38.1400	-	-	-	-	-	-	-

† Rates for Jan 30 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4620	-0.0141	588 - 640	10.4930	10.4420	10.4465	1.8	10.4145	1.8	10.292	1.6	106.1
Belgium	(BFr)	30.5900	-0.08	700 - 100	30.6820	30.5470	30.538	2.0	30.4375	2.0	30.075	1.7	108.0
Denmark	(DKr)	5.7580	-0.0082	555 - 585	5.7755	5.7470	5.753	1.0	5.7435	1.0	5.7655	-0.1	108.4
Finland	(FM)	4.5535	-0.0147	498 - 573	4.5770	4.5456	4.5485	1.3	4.5399	1.2	4.5111	0.9	84.8
France	(FFr)	5.1078	-0.0107	070 - 085	5.1268	5.1030	5.1033	1.0	5.0963	0.9	5.0738	0.7	109.0
Germany	(DM)	1.4879	-0.002	876 - 881	1.4925	1.4850	1.4854	2.0	1.4807	1.9	1.4614	1.8	109.9
Greece	(Dr)	245.655	-1.395	890 - 720	247.080	245.550	247.33	-8.2	250.58	-8.0	265.405	-8.0	65.2
Ireland	(I£)	1.5651	+0.005	641 - 660	1.5668	1.5580	1.5655	-0.3	1.566	-0.2	1.5621	0.2	-
Italy	(L)	1594.00	-4	350 - 450	1603.00	1590.20	1600.55	-5.2	1612.8	-4.7	1671	-4.8	72.4
Luxembourg	(LFr)	30.5900	-0.08	700 - 100	30.6820	30.5470	30.538	2.0	30.4375	2.0	30.145	1.5	108.0
Netherlands	(Fl)	1.6659	-0.0022	656 - 661	1.6712	1.6620	1.6623	2.2	1.6554	2.1	1.6333	2.0	107.9
Norway	(NKr)	6.5131	-0.0126	093 - 108	6.5455	6.4985	6.5108	0.4	6.5026	0.6	6.4555	0.9	97.7
Portugal	(Es)	154.370	-0.325	320 - 420	154.820	153.960	154.745	-2.9	155.515	-3.0	159.12	-3.1	95.3
Spain	(Pta)	125.360	-0.6	300 - 360	125.860	125.240	125.735	-3.6	126.46	-3.5	129.96	-3.7	81.5
Sweden	(SKr)	6.9475	-0.0181	425 - 525	6.9743	6.9260	6.9649	-2.9	6.994	-2.7	7.1315	-2.6	85.0
Switzerland	(SFr)	1.2101	-0.0034	096 - 106	1.2175	1.2090	1.2057	3.4	1.1995	3.5	1.172	3.1	113.3
UK	(£)	1.5110	+0.0067	107 - 113	1.5125	1.5050	1.5098	1.0	1.5079	0.8	1.4974	0.9	82.7
Ecu	-	1.2341	+0.0042	338 - 343	1.2348	1.2300	1.2344	-0.3	1.2348	-0.2	1.2354	-0.1	-
SDR†	-	0.68780	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9781	-	779 - 782	0.9810	0.9779	-	-	-	-	-	-	-
Canada	(C$)	1.3760	+0.0023	757 - 762	1.3836	1.3756	1.3761	-0.1	1.3762	-0.1	1.3813	-0.4	82.9
Mexico	(New Peso)	7.4300	+0.083	250 - 350	7.4400	7.4100	7.4322	-0.4	7.4354	-0.3	7.4403	+0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3426	-0.0055	423 - 432	1.3432	1.3423	1.3448	-1.8	1.3481	-1.6	1.3668	-1.8	86.7
Hong Kong	(HK$)	7.7320	-0.001	315 - 325	7.7330	7.7315	7.7327	-0.1	7.7345	-0.1	7.7615	+0.4	-
India	(Rs)	36.4350	-0.35	100 - 600	36.7700	36.0500	36.585	-4.0	36.86	-4.0	38.36	-5.3	-
Israel	(Shk)	3.1371	-0.0048	347 - 364	3.1422	3.1347	-	-	-	-	-	-	-
Japan	(Y)	106.915	-0.335	890 - 940	107.570	106.800	106.47	5.0	105.64	4.8	102.33	4.3	136.8
Malaysia	(M$)	2.5602	+0.0009	597 - 607	2.5625	2.5562	2.5611	-0.4	2.5627	-0.4	2.5697	-0.4	-
New Zealand	(NZ$)	1.4865	-0.0085	859 - 874	1.4888	1.4858	1.4886	-2.5	1.4954	-2.4	1.52	-2.3	-
Philippines	(Peso)	26.1820	-0.005	770 - 870	26.1870	26.1770	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 506	3.7506	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4193	-0.0012	188 - 198	1.4230	1.4188	1.4158	3.0	1.4098	2.7	1.3843	2.5	-
South Africa	(R)	3.6498	-0.0035	493 - 503	3.6638	3.6498	3.6785	-8.5	3.73	-8.8	3.9533	-8.3	-
South Korea	(Won)	785.250	-0.4	200 - 300	786.700	784.600	788.25	-4.6	791.75	-3.3	810.25	-3.2	-
Taiwan	(T$)	27.4695	-0.005	680 - 700	27.4800	27.4680	27.4895	-0.9	27.5295	-0.8	-	-	-
Thailand	(Bt)	25.3400	-0.005	300 - 500	25.3500	25.3300	25.4387	-4.7	25.6425	-4.8	26.525	-4.7	-

† SDR rate per $ for Jan 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 30: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 31	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 13/32	3 11/32	3 11/32	3 5/16	3 5/16	7.00	3.00	-
week ago	3 9/16	3 3/8	3 7/16	3 13/32	3 13/32	7.00	3.00	-
France	4 13/32	4 11/32	4 11/32	4 11/32	4 7/16	4.20	-	5.60
week ago	4 1/4	4 11/32	4 13/32	4 7/16	4 15/32	4.20	-	5.60
Germany	3 5/8	3 5/8	3 7/16	3 3/8	3 3/8	5.00	3.00	3.40
week ago	3 1/2	3 5/8	3 11/16	3 5/8	3 1/2	5.00	3.00	3.55
Ireland	4 15/32	5	5 1/16	5 3/16	5 5/16	-	-	6.25
week ago	5 1/4	5	5 3/16	5 3/16	5 5/16	-	-	6.25
Italy	9 5/8	9 13/32	9 13/32	9 1/4	9 1/8	-	9.00	9.88
week ago	10	9 23/32	9 19/32	9 17/32	9 3/8	-	9.00	10.48
Netherlands	3 7/32	3 1/16	3	3	3 1/8	-	3.00	3.30
week ago	3 1/4	3 1/8	3 1/8	3 1/8	3 1/8	-	3.00	3.30
Switzerland	2 1/4	1 3/4	1 3/4	1 23/32	1 3/4	5.00	1.50	-
week ago	1 3/4	1 3/4	1 23/32	1 23/32	1 23/32	5.00	1.50	-
US	6 1/4	5 3/8	5 3/8	5 3/8	5 1/4	-	5.25	-
week ago	5 5/8	5 1/2	5 5/8	5 1/2	5 3/8	-	5.25	-
Japan	15/32	7/16	7/16	1/2	9/16	-	0.50	-
week ago	7/16	7/16	15/32	15/32	9/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 1/4	5 3/16	5 1/8	5 1/8	-	-	-
week ago	-	5 3/8	5 1/2	5 3/8	5 3/8	-	-	-
US Dollar CDs	-	5.23	5.18	5.12	4.99	-	-	-
week ago	-	5.23	5.22	5.14	5.01	-	-	-
ECU Linked Ds	-	4 1/2	4 7/16	4 3/8	4 5/16	-	-	-
week ago	-	4 1/2	4 15/32	4 13/32	4 1/2	-	-	-
SDR Linked Ds	-	3 1/4	3 13/32	3 11/32	3 11/32	-	-	-
week ago	-	3 3/8	3 13/32	3 11/32	3 11/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 15/32 - 3 11/32	3 15/32 - 3 11/32	3 15/32 - 3 5/16	3 11/32 - 3 1/4	3 11/32 - 3 7/32	3 11/32 - 3 1/4
Danish Krone	4 9/16 - 4 15/32	4 13/32 - 4 5/16	4 7/16 - 4 5/16	4 13/32 - 4 9/32	4 13/32 - 4 9/32	4 9/16 - 4 15/32
D-Mark	3 3/4 - 3 5/8	3 9/16 - 3 15/32	3 1/2 - 3 13/32	3 3/16 - 3 1/8	3 1/4 - 3 1/16	3 1/4 - 3 1/16
Dutch Guilder	3 7/16 - 3 5/16	3 1/4 - 3 1/8	3 1/8 - 3 1/32	3 1/16 - 2 31/32	3 1/32 - 2 29/32	3 1/8 - 3 1/32
French Franc	5 9/16 - 4 7/16	4 13/32 - 4 1/4	4 13/32 - 4 9/32	4 13/32 - 4 5/16	4 13/32 - 4 11/32	4 9/16 - 4 3/8
Portuguese Esc.	8 1/4 - 8 1/8	8 5/16 - 8 3/16	8 7/32 - 8 3/32	8 7/32 - 8 3/32	8 1/4 - 8 1/8	8 1/4 - 8 1/8
Spanish Peseta	10 1/2 - 10	9 11/32 - 9 1/16	8 15/16 - 8 13/16	8 29/32 - 8 21/32	8 13/16 - 8 11/16	8 13/16 - 8 11/16
Sterling	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 7/16 - 6 1/4	6 1/4 - 6 3/16	6 1/8 - 6 1/16	6 3/32 - 6 1/32
Swiss Franc	1 7/8 - 1 5/8	1 3/4 - 1 5/8	1 3/4 - 1 5/8	1 3/4 - 1 5/8	1 3/4 - 1 5/8	1 13/16 - 1 11/16
Can. Dollar	5 5/8 - 5 7/16	5 5/8 - 5 7/16	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 5/16 - 5 3/16
US Dollar	5 5/16 - 5 3/16	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 5/16 - 5 3/16	5 1/4 - 5 1/8	5 1/8 - 4 13/16
Italian Lira	10 7/16 - 9 7/16	9 13/16 - 8 11/16	8 7/8 - 9 3/4	9 3/4 - 9 5/8	9 3/8 - 9 1/4	9 11/32 - 9 7/32
Yen	9/16 - 1/2	17/32 - 13/32	9/16 - 7/16	5/8 - 1/2	9/16 - 7/16	25/32 - 19/32
Asian $Sing	1 7/16 - 1 5/16	2 5/16 - 2 3/16	2 5/8 - 2 1/2	2 5/8 - 2 1/2	2 11/16 - 2 9/16	3 - 2 7/8

Short term rates are call for the US Dollar and Yen, others' two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.51	95.51	+0.08	95.57	95.50	37,358	55,824
Jun	95.71	95.71	+0.08	95.76	95.69	11,737	51,818
Sep	95.73	95.73	+0.04	95.78	95.71	8,536	39,306

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.76	96.78	+0.04	96.81	96.75	38885	171904
Jun	96.87	95.88	+0.02	96.89	96.83	50797	176362
Sep	96.81	96.78	-	96.84	96.75	38797	156407
Dec	96.61	96.58	-0.01	96.67	96.54	32000	150563

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.50	90.54	+0.10	90.62	90.40	13475	47148
Jun	91.04	91.09	+0.13	91.18	90.98	6003	28774
Sep	91.36	91.38	+0.12	91.40	91.28	1423	16907
Dec	91.45	91.48	+0.13	91.48	91.37	1064	8950

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.18	98.19	+0.07	98.20	98.08	7644	23524
Jun	98.14	98.14	+0.04	98.18	98.08	8130	21418
Sep	98.05	98.04	+0.03	98.08	97.98	2488	10573
Dec	97.87	97.84	+0.03	97.88	97.78	601	5328

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.40	95.44	+0.08	95.45	95.40	2252	9325
Jun	95.55	95.58	+0.06	95.62	95.53	1133	4795
Sep	95.58	95.58	+0.06	95.61	95.55	392	2950
Dec	95.49	95.47	+0.04	95.51	95.45	639	2682

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9050	0.24	0.80	1.17	0.20	0.21	0.29
9075	0.14	0.61	0.98	0.35	0.27	0.35
9100	0.07	0.47	0.80	0.53	0.38	0.42

Est. vol. total, Calls 580 Puts 405. Previous day's open int., Calls 18549 Puts 15996

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.70	4.864	2.088	5210	5.446	21.29	504.5	409.8	22.70	3.955	2.164	4.498	3.269	349.4	2.648
Denmark	(DKr)	53.13	10	8.871	2.584	1.109	2768	2.893	11.31	268.0	217.7	12.06	2.101	1.149	2.380	1.737	185.6	1.407
France	(FFr)	59.89	11.27	10	2.913	1.250	5120	3.261	12.75	302.2	245.4	13.59	2.368	1.298	2.684	1.958	208.3	1.586
Germany	(DM)	20.56	3.870	3.433	1	0.429	1071	1.120	4.378	103.7	84.23	4.666	0.813	0.445	0.922	0.673	71.84	0.544
Ireland	(I£)	47.90	9.016	7.988	2.330	1	2495	2.608	10.20	241.7	196.3	10.87	1.894	1.038	2.154	1.580	167.4	1.268
Italy	(L)	1.919	0.361	0.321	0.093	0.040	100.	0.105	0.409	9.684	7.865	0.436	0.076	0.042	0.088	0.063	5.707	0.051
Netherlands	(Fl)	18.36	3.456	3.066	0.893	0.383	956.7	1	3.910	92.65	75.25	4.168	0.726	0.397	0.826	0.600	64.16	0.486
Norway	(NKr)	46.97	8.841	7.843	2.284	0.981	2447	2.558	10	237.0	192.5	10.66	1.858	1.016	2.113	1.535	164.1	1.244
Portugal	(Es)	19.82	3.731	3.310	0.964	0.414	1033	1.079	4.220	100.	81.22	4.498	0.784	0.429	0.892	0.648	69.25	0.525
Spain	(Pta)	24.40	4.593	4.075	1.187	0.510	1271	1.329	5.196	123.1	100.	5.538	0.965	0.528	1.098	0.798	85.27	0.646
Sweden	(SKr)	44.06	8.294	7.357	2.143	0.920	2296	2.399	9.381	222.3	180.6	10	1.743	0.953	1.982	1.440	154.0	1.167
Switzerland	(SFr)	25.28	4.759	4.222	1.230	0.528	1317	1.377	5.383	127.6	103.6	5.739	1	0.547	1.137	0.827	88.35	0.670
UK	(£)	46.22	8.700	7.718	2.248	0.965	2408	2.517	9.841	233.2	189.4	10.48	1.828	1	2.079	1.511	161.5	1.224
Canada	(C$)	22.23	4.185	3.712	1.061	0.464	1158	1.211	4.734	112.2	91.10	5.046	0.879	0.481	1	0.727	77.68	0.589
US	($)	30.59	5.758	5.108	1.488	0.638	1594	1.666	6.513	154.3	125.3	6.942	1.210	0.662	1.376	1	106.9	0.810
Japan	(Y)	28.62	5.387	4.779	1.392	0.598	1491	1.559	6.093	144.4	117.3	6.495	1.132	0.916	1.287	0.936	100.	0.758
Ecu		37.76	7.106	6.306	1.837	0.788	1967	2.056	8.040	190.5	154.7	8.570	1.493	0.817	1.698	1.234	131.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6732	0.6734	+0.0001	0.6752	0.6717	18,804	63,781
Jun	0.6765	0.6768	+0.0002	0.6783	0.6765	443	3,658
Sep	-	0.6796	-	-	0.6788	11	1,377

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8263	0.8294	+0.0032	0.8314	0.8249	13,874	43,227
Jun	0.8331	0.8363	+0.0032	0.8381	0.8331	305	1,374
Sep	-	0.8430	+0.0033	0.8435	0.8415	38	98

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9391	0.9402	+0.0015	0.9427	0.9359	18,951	79,440
Jun	0.9516	0.9512	+0.0015	0.9534	0.9512	505	4,387
Sep	-	0.9598	-	-	-	3	729

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5060	1.5058	+0.0016	1.5084	1.5032	6,388	50,692
Jun	-	1.5040	+0.0026	1.5070	-	15	261
Sep	-	1.5020	+0.0028	1.5040	-	4	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 6 1/8	6 3/8 - 6 3/16	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 3/16 - 6 1/16	5 1/8 - 6
Sterling CDs	-	-	6 7/32 - 6 5/32	6 3/16 - 6 1/8	6 1/8 - 6 1/16	6 1/16 - 6
Treasury Bills	-	-	6 1/8 - 6 1/16	6 1/16 - 6	-	-
Bank Bills	-	-	6 1/8 - 6 3/32	6 1/32 - 5 31/32	6 - 5 15/16	-
Local authority deps.	6 1/4 - 6 1/8	6 1/4 - 6 1/8	6 7/32 - 6 5/32	6 1/4 - 6 1/8	6 1/8 - 6 1/16	6 1/8 - 6
Discount Market deps	6 3/8 - 6 1/4	6 5/16 - 6 3/16	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9868pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.92	93.89	-0.02	93.94	93.88	13335	85188
Jun	94.14	94.11	-0.01	94.17	94.09	20412	76121
Sep	94.16	94.12	-0.01	94.19	94.09	10502	66382
Dec	93.98	93.93	-0.02	94.03	93.91	14769	44190
Mar	93.73	93.66	-0.03	93.76	93.64	4240	32355

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.19	0.43	0.54	0.04	0.07	0.17
9400	0.04	0.25	0.38	0.15	0.14	0.26
9425	0.01	0.12	0.25	0.37	0.26	0.38

Est. vol. total, Calls 3786 Puts 2007. Previous day's open int., Calls 126025 Puts 137926

EMS EUROPEAN CURRENCY UNIT RATES

Jan 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.232	-0.523	-2.01	4.58	14
Netherlands	2.15214	2.11520	+0.00187	-1.72	4.27	13
Belgium	39.3960	38.8295	+0.0299	-1.44	3.97	11
Austria	13.4383	13.2787	+0.0139	-1.18	3.70	9
Germany	1.91007	1.88880	+0.00192	-1.12	3.64	11
Portugal	195.792	195.738	-0.355	-0.03	2.51	0
Denmark	7.28580	7.30802	+0.00499	0.30	2.17	-2
France	6.40608	6.48722	+0.00283	1.27	1.20	-11
Ireland	0.792214	0.811880	-0.001839	2.48	0.00	-17
NON ERM MEMBERS						
Greece	292.867	312.182	-0.348	6.60	-3.88	-
Italy	2106.15	2026.42	-2.12	-3.79	6.51	-
UK	0.786652	0.841076	-0.002811	6.92	-4.15	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.500	1.20	1.99	2.44	0.81	1.65	2.18
1.510	0.87	1.41	1.97	1.27	2.17	2.64
1.520	0.34	1.02	1.56	1.94	2.55	3.23
1.530	0.22	0.72	1.22	2.67	3.24	3.88
1.540	0.10	0.48	0.93	3.55	4.00	4.69
1.550	0.04	0.31	0.69	4.48	4.81	-

Previous day's vol., Calls 2,763 Puts 7,870 . Prev. day's open int., Calls 168,409 Puts 206,042

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.72	94.75	+0.03	94.77	94.72	61,851	434,343
Jun	95.07	95.11	+0.04	95.12	95.07	92,326	440,444
Sep	95.21	95.25	+0.04	95.26	95.21	57,523	302,822

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.18	95.21	+0.04	95.22	95.18	1,481	9,499
Jun	95.51	95.52	+0.03	95.54	95.50	885	6,648
Sep	95.65	95.65	+0.03	95.65	95.65	40	778

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9675	0.06	0.09	0.17	0.21	0.00	0.06	0.08	0.10
9700	0.01	0.02	0.05	0.06	0.23	0.24	0.19	0.22
9725	0	0	0.01	0.02	0.47	0.47	0.40	0.41

Est. vol. total, Calls 18395 Puts 5339. Previous day's open int., Calls 274848 Puts 256075

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9800	0.22	0.26	0.29	0.03	0.12	0.25
9825	0.09	0.11	0.17	0.15	0.22	0.38
9850	0.02	0.04	0.09	0.33	0.40	0.54

Est. vol. total, Calls 25 Puts 0. Previous day's open int., Calls 6820 Puts 4010

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	..sWV☐	516xd	+4	598	476½	5,336	5.7	18.1
Bulmer (HP)		538xd	—	543	393	284.1	2.6	18.9
Burn St Dist		123	—	146	99	72.9	5.1	26.5
Grand Met		444xd	-5½	487	361	9,284	4.2	15.6
Guinness		486	-7	536	404	9,224	3.9	14.2
Highland		328	+4	408	315	436.9	3.0	14.0
Kirin Y	☐	695	+38½	809	621	[illegible]	0.8	31.0
Macallan-Glen.		166	-3	217	157	194.9	1.0	35.8
Macdon Martin A		630	—	700	600	66.6	2.2	17.8
Matthew Clark		656xd	-2	684	539	576.6	4.2	–
Morrydown		100	—	140	68	10.9	2.5	–
Seagram $		£24⅝	+⅛	£26⅛	£16⅞	6,919	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.		50½xd	—	59	50¼	6.31	16.9	–
Cater Allen		479	+3	525	418	156.2	1.6	1.6
Close Bros	☐	370	+5	*370	217¼	451.6	2.9	18.4
Gerrard & Nat		467	-3	472	395	227.8	6.0	15.1
Hambros	☐	208	+6	238	160	382.4	4.8	–
7½pc Cv Pf		103	+½	110	94	132.7	6.1	–
Joseph (L)		453	—	483	353	24.8	5.2	15.9
King & Shaxson	☐	146	—	152	88	38.5	7.7	11.3
Rea Brothers		59	—	67	44	28.5	2.1	23.8
Schroders	☐	1288	+1	*1478	906¼	1,946	1.4	18.4
N/V		1020	—	*1180	823¼	448.8	1.7	14.6

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

TOBACCO

TRANSPORT

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£33¼	—	£34½	£29	2,253	2.6	16.2
Barlow	♣	2101½	-3½	2101½	£5½	2,082	1.5	φ
Gold Flds Prop R		160	—	160	136	18.4	8.8	7.0
NK Props		95	—	96	85	3.82	12.8	-
SASOL	♥	588	-18	648	475	3,443	2.4	-
SA Brews		£24¼	-¼	£26½	£14¼	7,294	1.5	32.3
Standard Bank	□	£31⅛	-⅛	£32¼	£20⅛	3,824	1.5	21.5
Tiger Oats		1260	+5	1270	725	1,885	1.6	φ
Tongaat-Hulett	†	1198	-44	1247	636	1,128	1.7	22.2

INVESTMENT COMPANIES

OIL, EXPLORATION & PRODUCTION

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

WATER

OIL, INTEGRATED

SUPPORT SERVICES

AIM

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings"formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Inch incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
x§ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

The Fiduciary Trust Global Fund

12 Lower Leeson Street 00 353 1 6613433

GAM Fund Management Ltd (u)

For GT Asset Mgt (Ireland) Ltd see LGT Asset Mgt PLC

Guinness Flight Select Funds Plc

Europa Hse, Harcourt St, Dublin 2

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

IRELAND (REGULATED)(**)

Baring Mutual (Ireland) Ltd

Berkshire NTC Growth Fund Plc

Berkshire-Korea Fund Plc

Bentley Invest (Ireland) Ltd

CPF Interest Rate Arbitrage Fund Plc

Calypso Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1000F)

Bank of Ireland Asset Mngmt (IOM) Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Foreign & Colonial Mngmt (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Global rate cut optimism continues to lift shares

By Steve Thompson, UK Stock Market Editor

The prospect of another series of global interest rate cuts helped to propel the FT-SE 100 index to an all-time closing high yesterday.

Although there was no hard and fast news when London closed for business, the market was looking for a reduction of at least 25 basis points in the US Federal Funds rate. And there were hopes that a cut by the Federal Reserve could encourage the Bundesbank to reduce Germany's discount rate by at least the same amount.

A move by the Bundesbank to lower its repo rate by 15 basis points, the third reduction in as many weeks by the German central bank, was taken very positively by international stock markets.

At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 settled at an all-time closing peak of 3,759.3, up 24.0 on the day, while the FT-SE Mid 250 index gave another strong performance, adding 29.3 at 4,125.0.

Dealers made the point that the FT-SE Mid 250, which has underperformed the FT-SE 100 over the past 18 months, is now within striking distance of its record peak, 4,152.8, which it hit on February 3, 1994.

It was by no means plain sailing for UK equities, however. Wall Street's advance on Tuesday evening, which took the Dow Jones Industrial Average up 76 points to yet another all-time high, saw London's marketmakers hoist their opening prices for the leading UK stocks.

Consequently, the Footsie started the day 22.2 higher, but then encountered various pockets of resistance, which began to erode the market's confidence.

News that the Elf-Enterprise joint venture had sold its 12.9 per cent stake in Enterprise Oil, some 67.7m shares, to a trio of brokers, who quickly placed the stock with a variety of institutions, helped to drain the market's liquidity.

There was also some slight disappointment in the market with the outcome of the £3bn auction of gilts, although some dealers said that the cover of almost two times was better than had been expected.

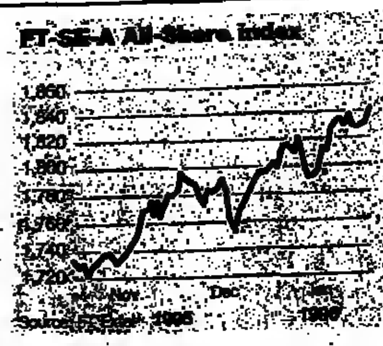
Gilts had made limited progress during the early part of the morning, posting gains of between five and seven ticks, but ran out of steam after the auction news was published.

Initial indications from Wall Street added to the gloom in London, and the Footsie came back to register its lowest level of the day, 3,739.2, shortly after US markets opened. The Dow posted an early 20-point fall but then began to claw its way back, eventually moving into positive territory as London closed and imparting late strength to the FT-SE 100.

BSkyB topped the Footsie performance league, attracting keen interest ahead of next Tuesday's interim results and amid hints that Carrefour, the French retailing group, may be considering the sale of its stake in the satellite television company to Sony, the Japanese electronics giant.

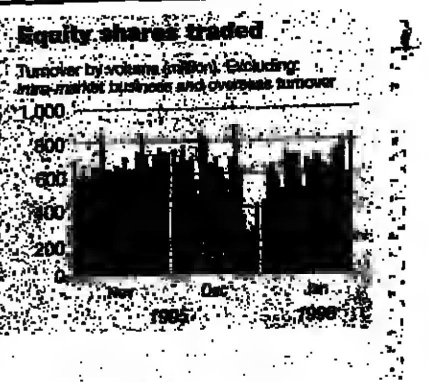
Turnover in equities at 6pm topped the 1bn-share mark, eventually settling at 1.04bn shares, with Enterprise Oil accounting for 15 per cent of the total. Customer business on Tuesday was valued at £2.08bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3759.3	+24.0
FT-SE Mid 250	4125.0	+29.3
FT-SE-A 350	1868.0	+12.2
FT-SE-A All-Share	1841.96	+11.34
FT-SE-A All-Share yield	3.71	(3.73)
FT Ordinary index	2768.4	+10.4
FT-SE-A Non Fins p/e	17.12	(16.88)
FT-SE 100 Fut Mar	3762.0	+11.0
10 yr Gilt yield	7.48	(7.43)
Long gilt/equity yld ratio:	2.13	(2.11)

Best performing sectors

1 Building Mats .... +2.5
2 Pharmaceuticals .... +2.0
3 Telecommunications .... +1.9
4 Media .... +1.4
5 Extractive Inds .... +1.4

Worst performing sectors

1 Oil Exploration .... -1.7
2 Diversified Inds .... -1.5
3 Alcholic Beverages .... -0.8
4 Health Care .... -0.5
5 Household Goods .... -0.4

Hanson takes a dive

The market took a close look at Hanson's plans to demerge and did not like them.

Then it took a look at other potential break-up candidates and decided it did not much like them either.

Hanson lost all the gain achieved on Tuesday, as US investors took a dim view of the financial benefits that can be accrued from the international conglomerate's four-way split.

Dividend prospects are being questioned and so is the valuation of the company. Hanson fell 9 to 202¼p with 61m traded, while comparable UK *companies Tomkins and BTR* shed 5 to 276p and 4 to 331¼p respectively.

BAT Industries was also weaker for a while, but the cash generative aspects of tobacco, and the fact that BAT's sales are mainly in emerging markets where there are few regulatory worries, saw the shares bounce to close 5½ up at 584½p.

Enterprise deal

Enterprise, the oil production and exploration company, fell almost 3.5 per cent as a near 13 per cent stake was placed in early trading.

Three leading brokers took on the 60m-share holding from Enterprise's joint venture with Elf created four years ago. Cazenove, BZW, and Commerzbank, of Germany, sold the shares in a "bought deal", one of the most risky aspects of stockbroking. In a bought deal, brokers bid for shares and take them all on to their books. There is usually no time to pre-place shares and the risks involved are factored into a sharply discounted price.

With Enterprise Oil, the shares were taken on at a discount of more than 20p to the prevailing mid-price. Most of the shares were successfully placed at 364p and the underlying price dipped 13 to 368p while turnover rose to 161m.

Analysts said that, in the long term, Enterprise would benefit, as investors had been waiting for the shares to be sold for some time and the expectation had dampened down the price. However, in the short term, the sale is expected to have soaked up much of the appetite for stock.

Glaxo active

Pharmaceuticals giant Glaxo Wellcome moved forward 28¼ to 961½p on substantial turnover of 13m shares in the wake of heavy buying in the US.

New York buyers were stimulated by news from Merck *that its Aids treatment was* highly effective with a cocktail that includes Glaxo Wellcome's AZT.

It gave US investors, who now *hold around 7 per cent of* the pharmaceuticals giant, compared with more than 25 per cent a few years ago, an excuse to pick up stock.

Glaxo is trading at a discount to its US counterparts but UK analysts were surprised that the news from Merck would have an impact. They said the statement was based on a very small study, and long term worries over the *patent expiries of Glaxo's key* products – Zeneca and Zovirax – were still very real.

News that Halifax has decided to sack Sun Alliance *as its main house insurer and* replace it with Royal Insurance prompted fierce two-way dealing in both insurance stocks. Royal rose 7 to 385p on the news and Sun fell 7 to 370p.

Analysts said the good news for Royal was that it had secured a long contract in an area where it excels. However, *the bad news was that* the margins imposed by Britain's biggest building society are painfully tight. A number of analysts were advising clients to sell Royal shares yesterday.

For Sun, the bad news is that it will need to disband its Halifax operation and deal with 200 staff who no longer have a dedicated function. The good news is that it could release some £80m of capital and pursue its interest in an overseas acquisition.

Vodafone, the mobile phone group, rose 7 to 237¼p as Henderson Crosthwaite, the agency broker, issued a strong recommendation. The agency broker believes that Vodafone will boost its subscriber numbers to 4m by March 1997.

Cable and Wireless gained 11½ at 444½p on expectation that a new chief executive will be announced very shortly.

Yorkshire Electricity sparked 35 higher to 719p on talk that the utility might be the next bid target in the sector.

The German government's package to boost growth and jobs, announced on Tuesday, together with yesterday's reduction in the repo rate, combined to boost construction stocks exposed to the German market.

Redland, which last year derived about 50 per cent of profits from Germany, was *among the day's best perform*ers in the Footsie. The shares put on 14 at 399p. RMC Group, with an even bigger chunk of profits derived from Germany, was also wanted and the shares jumped 30 to 1026p. Pilkington was the other FT-SE 100 constituent in the sector to move sharply ahead, adding 6¾ at 198¼p.

In the FT-SE Mid-250 index, building materials and plasterboard group BPB Industries was boosted by the same sentiment and ended 10½ higher at 309½p.

A positive statement from Scottish & Newcastle that accompanied a briefing for analysts helped the shares gain 7 to 684p, in trade of 3.4m.

Greenalls Group, the newest constituent of the premier FT-SE 100 index, gave up 12½ to 596p on profit-taking.

Shares in Whitbread rose 8 to 705p as the group hosted a round of briefings for analysts.

A profits warning from Lincat, the catering equipment manufacturer, sent the shares down 37 to 251p.

Property and shipping giant P&O ran into profit-taking and retreated 12½ to 548½p. Stagecoach Holdings, which on Monday announced the acquisition of GM Buses South, the South Manchester operator, in a £40.7m deal, remained in favour and the shares gained a further 5 to 380p.

Aero engines group Rolls-Royce hardened a penny to 204p. Henderson Crosthwaite favours the stock and yesterday issued a buy recommendation and set a medium term share price target of 240p.

Mr Brian Newman at the broker said: "The Rolls Trent engine has major technical advantages over the competition and will emerge as the airlines' first choice on the Boeing 777."

The same broker also urged investors to buy Farnell Electronics, which earlier this month announced that it is *purchasing Premier Industrial* Corporation, of the US, in a £1.85bn deal.

The shares rose 9 to 646p following the recommendation. *Analysts at Henderson said:* "In our view, Farnell Electronics's merger with Premier Industrial is a brilliant industrial deal, offering numerous opportunities for revenue growth and cost savings without a large degree of commercial risk."

The market appreciated TI Group's sale of three of its non-core engineering businesses for £44m. The shares rose 9 to 487p. Hopes of improved sales in Germany for British Steel helped the shares harden 4¼ to 171¾p. Volume by the close had reached 7.8m.

Williams Holdings appreciated 7 to 341p after SBC Warburg reiterated its buy stance on the stock. The broker highlighted the stock's attractions, saying it expected good growth from the fire protection and security products markets.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25	Yr ago	*High	*Low
Ordinary Share	2768.4	2758.0	2769.4	2735.3	2765.0	2268.4	2768.5	2236.3
Ord. div. yield	3.79	3.81	3.80	3.81	3.82	4.57	4.73	3.79
P/E ratio net	17.10	17.00	16.87	16.82	16.58	17.67	21.38	15.35
P/E ratio nil	16.87	16.78	16.45	16.61	16.37	16.74	20.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2768.4 31/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2772.7	2767.5	2770.7	2765.0	2761.2	2758.8	2759.1	2757.5	2760.7	2773.0	2758.4

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25	Yr ago
SEAQ bargains	33,608	32,679	33,972	33,184	35,173	20,707
Equity turnover (£m)†	-	2027.5	1483.1	2073.6	2495.0	1613.6
Equity bargains†	-	37,886	40,213	38,415	41,409	27,445
Shares traded (mil)†	-	830.0	593.6	604.7	779.1	625.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	780	Total Highs	229	Total contracts	41,247
Total Falls	509	Total Lows	26	Calls	24,533
Same	1,515			Puts	16,714

Jan 31 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3776.0	3761.0	+10.0	3778.0	3748.0	11096	66543
Jun		3763.6	+10.0			0	1233

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4135.0	+25.0			0	3307

■ FT-SE 100 INDEX OPTION (LIFFE) (*3750) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Feb	160	2½	114	6	71	14	36	30½	14½	61½	5	107	1½	157	1	207
Mar	175	15½	133½	24½	96½	37½	66	57	40½	83	23½	118	12½	160½	6	209
Apr	181½	31	144	43½	112½	61½	83	81½	60	108	41	139½	25½	175	16½	216½
May	198	44½	162	57½	130½	75½	101½	95½	77½	122½	58½	151½	40	185½	27½	223½
Jun†	212½	55			147½	88½			95	135			57½	197½		

Calls 3,582 Puts 6,940

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Feb	182½	2	136	5	92	11	53	21½	25½	43½	9	77	2½	120½	½	168½
Mar	192½	9	150	15	111½	26	78	42½	51	65	31	94½	17	130	8	171
Apr	204	28½	166	30½	131	54	100	72	73	95	51½	122½	35	155½	22½	192
Jun			198	63			132½	95			82½	142½			46	206½
Sept†			246	94			193	127½			131½	172			89½	226

Calls 7,376 Puts 2,294 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	6.26	8½	5¼	†Ballynalsey	6					-
-	F.P.	24.0	125	115	Century Inns	120					-
-	F.P.	14.3	80	72	†Dinalek	76					-
-	F.P.	25.8	86	73	Jupiter Split Cap	85½					-
-	F.P.	23.3	101	98	Jupiter Split Inc	99½		K7.24		8.2	-
-	F.P.	59.0	£59	£58	Jupiter Split Units	£59		7.24		0.2	-
-	F.P.	35.8	88	86	MediaKey	86	-2	Ln0.86		1.8	-
-	F.P.	0.13	6	5	†Nile Palm Wts	6					-
-	F.P.	1.13	105	100	†Revelation Pfdty	105					-
-	F.P.	3.09	60	53	†Reef Trading Sys	53					-
-	F.P.	0.97	5	3	†SkyePharma Wts	3	+½				-
-	F.P.	3.00	200	125	†Venlon	200	+10				-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 30	% chg on day	Jan 29	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (35)	2314.73	-0.6	2328.49	1669.81	1.47	-	2328.49	1637.91
● Regional indices								
Africa (18)	3209.12	+1.1	3175.11	2485.52	2.82	35.49	3222.22	2272.74
Australasia (5)	2716.00	-2.7	2790.86	2060.03	2.11	42.11	2790.86	1788.20
North America (12)	2000.92	-1.0	2021.98	1370.85	0.67	59.80	2021.98	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 31	Day's chge%	Jan 30	Jan 29	Jan 26	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3759.3	+0.6	3735.3	3734.6	3734.7	3017.3	3.81	2.07	15.88	8.83	1506.32
FT-SE Mid 250	4125.0	+0.7	4095.7	4089.1	4085.8	3377.7	3.56	1.76	19.82	20.10	1632.57
FT-SE Mid 250 ex Inv Trusts	4129.1	+0.7	4098.8	4082.8	4089.9	3368.3	3.70	1.82	18.59	21.54	1636.20
FT-SE-A 350	1868.0	+0.7	1855.8	1854.9	1854.8	1506.1	3.76	2.01	16.58	5.38	1531.93
FT-SE-A 350 Higher Yield	1871.1	+0.6	1860.1	1854.1	1857.4	1580.2	4.61	1.82	14.88	6.28	1273.87
FT-SE-A 350 Lower Yield	1868.6	+0.7	1856.1	1860.7	1856.6	1461.5	2.85	2.32	18.89	4.47	1279.56
FT-SE SmallCap	2018.51	+0.2	2015.12	2013.76	2012.72	1706.90	3.11	1.83	21.93	3.23	1634.46
FT-SE SmallCap ex Inv Trusts	1990.49	+0.1	1988.12	1987.36	1986.39	1689.31	3.34	1.92	19.50	3.34	1620.60
FT-SE-A ALL-SHARE	1841.96	+0.6	1830.62	1829.69	1829.35	1490.41	3.71	2.00	16.90	5.13	1534.66

■ FT-SE Actuaries All-Share

	Jan 31	Day's chge%	Jan 30	Jan 29	Jan 26	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3218.51	+0.2	3210.89	3217.32	3196.16	2641.78	3.63	2.02	17.01	0.00	1354.37
12 Extractive Industries(6)	4165.21	+1.4	4107.90	4111.91	4118.26	3569.71	3.56	2.56	13.71	0.00	1194.37
15 Oil, Integrated(3)	3266.13	+0.2	3259.62	3265.22	3237.20	2630.95	3.77	1.65	16.97	0.00	1406.96
18 Oil Exploration & Prod(15)	2088.57	-1.7	2124.71	2141.09	2135.61	1899.22	2.35	1.48	35.95	0.00	1239.70
20 GEN INDUSTRIALS(276)	2035.85	+0.4	2027.26	2015.90	2013.11	1781.27	4.06	1.66	18.62	1.18	1093.80
21 Building & Construction(34)	1067.66	+1.3	1053.55	1050.96	1049.90	948.06	3.75	2.18	15.40	0.36	879.92
22 Building Matls & Merchs(28)	1873.67	+2.5	1827.89	1822.06	1816.96	1691.97	4.00	2.03	15.40	0.61	930.18
23 Chemicals(23)	2446.77	+0.6	2428.00	2426.61	2420.31	2192.66	4.01	1.37	16.70	0.91	1139.83
24 Diversified Industrials(21)	1824.84	-1.5	1852.31	1815.50	1820.21	1752.13	5.41	1.43	16.18	1.99	998.66
25 Electronic & Elect Equip(38)	2271.38	+0.3	2264.94	2268.54	2264.57	1823.24	3.19	1.96	20.01	1.86	1166.10
26 Engineering(71)	2259.83	+0.7	2244.16	2240.54	2232.91	1712.61	3.30	2.24	16.92	1.32	1353.43
27 Engineering, Vehicles(13)	2639.94	+1.4	2603.85	2597.81	2599.90	2031.32	3.88	1.26	25.58	0.23	1346.18
28 Paper, Pckg & Printing(28)	2651.39	+0.8	2631.27	2622.73	2611.40	2705.91	3.76	2.53	13.14	0.39	1087.72
29 Textiles & Apparel(19)	1496.07	----	1497.32	1504.10	1500.45	1454.71	4.85	1.79	15.02	0.00	898.48
30 CONSUMER GOODS(81)	3716.90	+0.9	3683.17	3669.18	3661.93	2812.09	3.69	1.78	18.09	7.77	1351.57
32 Alcoholic Beverages(6)	2808.47	-0.8	2831.14	2861.46	2853.90	2546.06	4.33	1.79	16.11	28.48	1003.77
33 Food Producers(23)	2634.39	+0.4	2624.06	2621.95	2633.53	2321.45	4.07	1.74	17.66	4.53	1170.40
34 Household Goods(15)	2641.59	-0.4	2652.86	2661.92	2662.79	2465.47	3.61	2.15	16.11	1.39	992.34
36 Health Care(20)	1910.86	-0.5	1920.59	1923.84	1937.51	1581.30	2.86	1.76	26.51	2.08	1148.50
37 Pharmaceuticals(13)	5338.90	+2.0	5235.01	5190.37	5156.54	3401.76	3.07	1.69	24.04	0.05	1783.15
38 Tobacco(1)	4951.23	+1.0	4900.40	4824.17	4832.64	3707.00	4.64	1.94	13.30	0.00	1197.85
40 SERVICES(258)	2307.16	+0.6	2292.35	2294.50	2288.32	1845.36	2.98	2.11	19.99	10.46	1187.70
41 Distributors(32)	2624.59	+0.2	2619.81	2622.49	2609.51	2263.70	3.65	1.79	19.17	0.00	955.23
42 Leisure & Hotels(23)	2794.90	+0.5	2781.21	2861.20	2875.10	2068.82	2.98	1.94	21.59	104.50	1486.36
43 Media(45)	3713.46	+1.4	3661.18	3640.56	3642.39	2730.31	2.10	2.22	26.84	7.49	1331.79
44 Retailers, Food(15)	1995.87	+1.0	1976.43	1981.37	1984.00	1785.44	3.66	2.41	14.18	0.51	1250.09
45 Retailers, General(45)	1935.66	+0.1	1933.12	1942.45	1929.30	1521.20	3.07	2.27	17.99	2.01	1092.43
47 Breweries, Pubs & Rest.(24)	2947.18	+0.9	2919.46	2893.05	2891.40	2205.85	3.35	2.08	17.93	12.52	1408.80
48 Support Services(48)	1946.71	+0.4	1938.96	1934.52	1928.32	1460.66	2.41	2.51	20.71	1.81	1226.12
49 Transport(21)	2330.08	-0.3	2338.01	2325.06	2304.07	2156.94	3.72	1.39	24.17	1.17	957.38
60 UTILITIES(34)	2412.40	+0.9	2390.81	2380.54	2392.77	2387.82	5.13	2.02	12.09	26.51	1020.13
62 Electricity(15)	2703.55	+0.4	2692.96	2699.20	2671.97	2407.49	6.12	2.62	9.33	102.23	1307.29
64 Gas Distribution(2)	1590.46	-0.4	1596.37	1571.02	1594.89	2024.09	7.53	1.04	15.95	0.00	797.96
66 Telecommunications(7)	1971.10	+1.9	1933.49	1932.54	1946.28	1976.81	4.28	1.74	16.75	0.00	892.18
68 Water(12)	2075.75	-0.3	2081.26	2085.11	2083.46	1675.05	5.87	2.61	8.15	3.61	1125.86
69 NON-FINANCIALS(668)	1943.20	+0.5	1930.79	1928.45	1923.82	1617.33	3.75	1.94	17.12	6.69	1454.40
70 FINANCIALS(106)	2952.78	+0.5	2938.65	2958.92	2976.00	2082.09	3.83	2.32	14.00	0.52	1247.24
71 Banks, Retail(8)	4223.01	+0.6	4197.10	4242.14	4281.73	2717.71	3.54	2.60	13.55	0.00	1353.73
72 Banks, Merchant(6)	3556.17	+0.5	3539.20	3526.29	3621.25	3095.13	2.82	2.41	19.82	0.00	1115.46
73 Insurance(24)	1426.18	----	1425.83	1437.53	1442.54	1150.56	5.11	2.89	9.09	0.06	1045.28
74 Life Assurance(6)	3476.15	+0.6	3453.94	3460.58	3426.02	2276.18	4.01	1.53	20.34	0.00	1416.20
77 Other Financial(23)	2441.63	+0.8	2422.06	2421.82	2418.01	1845.05	3.86	1.87	18.27	0.44	1369.23
79 Property(41)	1452.88	+0.5	1445.62	1447.08	1459.85	1367.00	4.28	1.32	22.14	2.51	882.82
80 INVESTMENT TRUSTS(127)	3145.85	+0.5	3131.62	3124.33	3119.14	2570.06	2.12	1.00	58.13	4.15	1090.16
89 FT-SE-A ALL-SHARE(903)	1841.96	+0.6	1830.62	1829.69	1829.35	1490.41	3.71	2.00	16.90	5.16	1534.66
FT-SE-A Fledgling	1139.35	+0.2	1137.43	1136.61	1136.55	965.55	2.97	2.20	19.13	2.31	1179.45
FT-SE-A Fledgling ex Inv Trusts	1135.16	+0.1	1134.04	1133.98	1134.09	966.86	3.26	2.41	15.93	2.37	1174.29

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3757.5	3752.9	3756.8	3750.3	3748.1	3745.8	3744.0	3740.8	3750.0	3759.3	3739.2
FT-SE Mid 250	4109.6	4111.3	4113.9	4114.6	4117.1	4118.7	4118.9	4117.7	4122.2	4125.0	4109.6
FT-SE-A 350	1865.8	1863.9	1865.9	1863.5	1862.1	1862.1	1861.8	1860.1	1864.1	1868.0	1859.4

Time of FT-SE 100 Day's high: 4.30pm Day's low: 3.14pm. FT-SE 100 1995/96 High: 3759.3 (31/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1078.0	1079.3	1078.8	1080.8	1086.8	1088.1	1089.1	1088.0	1086.1	1087.1	1066.5	+20.6
Pharmaceuticals	5259.6	5262.7	5274.0	5262.0	5251.3	5251.3	5247.8	5238.2	5249.3	5279.8	5176.5	+103.3
Water	2079.0	2079.3	2078.3	2076.9	2073.6	2070.0	2068.5	2065.8	2068.9	2068.3	2074.0	-5.7
Banks, Retail	4267.6	4268.4	4268.6	4255.3	4247.5	4250.0	4250.3	4247.1	4261.5	4276.9	4250.7	+26.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. *DELETION:* Forte (42) & (FT-SE 100): INSERT: Greenalls (FT-SE 100); Henlys (FT-SE Mid 250).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,200	411	
ASDA Group†	12,000	105¼	+¼
Abbey National†	3,600	603	+8
Albert Fisher	2,600	47½	
Allied Domecq†	5,700	616	+4
Anglian Water	828	565½	-4½
Argos†	614	568	-4
Argyll Group†	1,600	333½	+5½
Arjo Wiggins	2,200	188½	+3½
Assoc. Brit. Foods†	718	377½	+7½
Assoc. Brit. Ports	1,400	289	-1
BAA†	4,600	498	-3
BAT Inds.†	6,100	584½	+5½
BET	2,400	132	+1
BICC	1,200	289	+4
BOC†	1,000	917	-2½
BP†	5,400	528½	+1½
BPB Inds.	5,800	309½	+10½
BSkyB†	2,700	426	+21½
BT†	8,200	356½	+3
BTR†	11,000	331¼	-4
Bank of Scotland†	1,900	255½	-3½
Barclays†	2,500	794	+9
Bass†	1,400	746½	+12½
Blue Circle†	1,400	344	+7
Booker	389	378	
Boots†	1,700	622½	+4½
Britannic	59	751	+2
Brit. Aerospace†	1,800	892	+2
British Airways†	4,400	520½	-2½
British Gas†	8,000	239	+1
British Land	900	463	+6½
British Steel†	7,500	171¾	+4¼
Bunzl	3,300	192	+6
Burmah Castrol†	287	992	-8
Burton†	17,000	132¾	+¼
Cable & Wire†	8,300	444½	+11½
Cadbury Schweppes†	1,200	545	+2
Caradon	1,600	224	+8
Carlton Comms.†	725	1036	-1
Coats Viyella	707	169	
Comm. Union†	1,900	614	-2
Compass	854	480	+1
Cookson†	5,200	284	+5
Courtaulds†	564	432	-4
Dalgety	857	419	-6
De La Rue	616	715	+7½
Dixons†	1,900	416	+1
East Midland Elect.	482	697	+18
Electrocomps	1,500	343	-1
Eng China Clays	741	383	+5
Enterprise Oil†	161,000	368	-13
Eurotunnel Units	219	79	-3
FKI	1,700	154	-2
Foreign & Col. I.T.†	657	165½	+1
Forte	2,900	346	+4½
Gen. Accident†	3,300	649	-5
General Elect.†	8,100	362½	+3
Glaxo Wellcome†	13,000	961½	+28¼
Glynwed	1,300	351	+14
Granada†	4,000	715	+10
Grand Met.†	2,500	444	-5½
GUS†	2,300	690½	-7½
Greenalls†	2,900	596	-12½
GRE†	1,900	264	+5
GKN†	847	826	+10
Guinness†	4,900	456	-7
HSBC (75p shs)†	2,000	1117	+6½
Hammerson	145	338	+1
Hanson†	61,000	202¼	-9
Harrisons Crosfield	1,300	134	+4
Hays	708	367	+5
Hillsdown	1,000	179	-2
IMI	2,100	314	+2
ICI†	1,100	827	+24
Inchcape	1,100	268	
Johnson Matthey	185	541	+5
Kingfisher†	483	536	+2
Kwik Save	495	508	+2
Ladbroke†	671	172	+3
Land Securities†	2,300	624	+3
Laporte	182	644	-7
Legal & General†	461	714½	+2
Lloyds Abbey	370	486	+3
Lloyds TSB†	17,000	322½	+4
LASMO†	4,200	165	-1
London Elect.	113	724	+4
Lonrho	10,000	209½	-1
Lucas	1,700	199½	+3½
MEPC	1,600	401	+3
MFI	3,900	162½	+2
Marks & Spencer†	4,400	434½	-1
Mercury Asset Man	733	864	-1
Midlands Elect.	259	930	+3
Morrison (Wm.)	1,000	154	+1
NFC	3,300	164	+5
NatWest Bank†	3,400	664	+3
National Grid†	16,000	201	-4½
National Power†	904	436	+2
Next	4,000	466	+4
Northern Elect.	393	891	+4
Northern Foods	5,200	184	+5
Pearson†	1,900	666	+7
P & O†	4,500	548½	-12½
Pilkington†	8,600	198¼	+6¾
PowerGen†	632	514	-1
Prudential†	3,500	430	+5
REXAM†	1,100	380	-1
RMC†	1,300	1026	+30
RTZ†	3,100	917	+13
Racal	1,600	309	-4
Rank Org.†	840	459	-4
Reckitt & Colman†	1,200	656	+2
Redland†	2,000	399	+14
Reed Intl.†	1,000	1036	+6
Rentokil†	357	348	-1
Reuters†	4,300	620	+5
Rolls Royce†	3,400	204	+1
Ryl Bk Scotland†	5,200	586	+7
Royal Insurance†	4,700	385	+7
Sainsbury†	3,200	394½	+1½
Schroders†	116	1289	+1
Scottish & New.†	3,400	684	+7
Scot. Hydro-Elect.	273	350	
Scottish Power†	1,100	380	+1
Sears	10,000	95½	+½
Sedgwick	1,500	122	-1
Seeboard	6	833	
Severn Trent†	716	616	-3
Shell Transport†	2,100	860½	+1½
Siebe†	1,000	795	+11
Slough Ests	786	215	
Smith (W.H.)	241	417	+2
Smith & Nephew†	2,300	178¼	-1¼
SmKl Beecham†	5,300	722½	+8½
SmKl Beecham Uts.†	1,700	729	+9½
Smiths Inds.†	1,000	694	-3
Southern Elect.†	1,000	828	+20
South Wales Elect.	3	849	
South West Water	558	500	+1
Southern Water	389	686	+13
Standard Chartd.†	3,000	635	+6
Storehouse	7,200	298	+1
Sun Alliance†	3,700	370	-7
T&N	1,700	163	+1
TI Group†	808	487	+9
Tarmac	7,200	123	+6
Tate & Lyle†	895	471	-4
Taylor Woodrow	1,700	141½	+8½
TeleWest	1,800	125	+7
Tesco†	2,600	288½	+5½
Thames Water†	810	543	+3
Thorn EMI†	859	1583	+11
Tomkins†	5,900	276	-5
Trafalgar House	799	33	+½
Unigate	534	432	-1
Unilever†	2,600	1356	+11
United Biscuits	3,000	245	-4
Utd. News & Media	685	593	-2
United Utilities†	613	585	-6
Vodafone†	13,000	237¼	+7
WPP	1,800	172	+5
Welsh Water	1,100	738	
Wessex Water	263	335	-2
Whitbread†	794	705	+8
Williams Hldgs.†	1,000	341	+7
Willis Corroon	1,700	154	+2
Wimpey	780	145	
Wolseley†	781	462	+1
Yorkshire Elect.	1,100	719	+35
Yorkshire Water	276	612	+5
Zeneca†	1,800	1280	+19

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 31 / Sch)

BELGIUM/LUXEMBOURG (Jan 31 / Frs.)

CZECH REP (Jan 31 / Koruna)

DENMARK (Jan 31 / Kr)

FINLAND (Jan 31 / Mka)

FRANCE (Jan 31 / Frs.)

GERMANY (Jan 31 / Dm.)

GREECE (Jan 31 / Drachma)

ITALY (Jan 31 / Lire)

NETHERLANDS (Jan 31 / Fls.)

NORWAY (Jan 31 / Kroner)

POLAND (Jan 31 / Zloty)

PORTUGAL (Jan 31 / Escudo)

SPAIN (Jan 31 / Pts.)

SWEDEN (Jan 31 / Kronor)

SWITZERLAND (Jan 31 / Frs.)

TURKEY (Jan 31 / Tk Lira)

PACIFIC

JAPAN (Jan 31 / Yen)

HONG KONG (Jan 31 / H.K.$)

INDONESIA (Jan 31 / Rupiah)

MALAYSIA (Jan 31 / M.R)

NEW ZEALAND (Jan 31 / NZ $)

SINGAPORE (Jan 31 / S$)

AUSTRALIA (Jan 31 / Aust.$)

SOUTH KOREA (Jan 31 / Won)

TAIWAN (Jan 31 / TW $)

THAILAND (Jan 31 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 31 / Can $)
4 pm close

MONTREAL (Jan 31 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jan 31 / Rand)

INDICES

	Jan 31	Jan 30	Jan 29	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	18160.67	18070.10	18160.67	30/1/96	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2268.5	2265.3	2279.3	2288.60	31/1/96	7823.30	8/2/95
All Mining(1/1/80)	1020.8	1015.8	1030.1	1041.60	8/1/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	385.95	381.07	378.71	385.42	2/1/96	328.50	27/10/95
Traded Index(2/1/91)	1086.57	1074.55	1069.00	1086.57	31/1/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1690.23	1675.67	1657.38	1690.23	31/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	51335.0	49348.0	51335.00	30/1/96	21382.00	9/3/95
Canada							
Metals Mins♦(1975)	(u)	5232.73	5095.79	5266.37	23/11/95	3806.63	1/3/95
Composite♦(1975)	(u)	4887.90	4849.20	4887.90	30/1/96	3991.41	30/1/95
Portfolio§§(4/1/83)	(u)	2466.96	2448.12	2466.96	30/1/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5535.43	5656.63	6363.10	11/7/95	4576.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	386.55	387.10	387.46	389.29	25/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1752.41	1739.91	1719.30	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1338.56	1322.90	1309.44	1338.56	31/1/96	1154.41	13/3/95
CAC 40(31/12/87)	2021.03	2003.13	1980.66	2021.03	31/1/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	882.18	871.80	870.72	882.18	31/1/96	708.87	30/3/95
Commerzbank(1/12/53)	2559.90	2523.40	2522.30	2559.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2470.14	2435.79†	2446.05	2478.14	31/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	989.45	974.37	983.04	995.30	22/1/96	787.19	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11359.70	11201.46	11058.97	11359.70	31/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	2931.84	2909.92	2872.18	3932.09	3/1/95	2826.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	578.56	569.17	585.71	578.66	31/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2334.07	2327.04	2328.94	2334.07	31/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	6199.94	613.77	606.78	6199.94	31/1/96	547.79	5/12/95
MIB General(2/1/96)	1051.0	1041.0	1029.0	1051.00	31/1/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20812.74	20722.44	20589.20	20812.74	31/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	301.79	298.59	297.80	307.98	5/1/96	222.26	13/6/95
Topix(4/1/68)	1613.11	1598.14	1593.22	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2101.76	2088.88	2091.68	2130.88	4/1/95	1441.98	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1055.42	1052.88	1041.28	1066.04	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	3085.11	3087.99	3087.99	29/1/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	555.7	554.0	555.6	555.70	31/1/96	422.98	23/3/95
CBS All Shr(End 83)	336.5	335.4	336.4	336.99	31/1/96	285.29	23/3/95
New Zealand							
Cap. 40(1/7/86)	2114.66	2091.57	2088.99	2208.02	20/10/95	1981.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1270.45	1259.68	1264.56	1316.28	8/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2885.76	2868.38†	2886.58	2958.12	10/7/95	2196.48	20/11/95
Portugal							
BTA(1977)	2638.7	2646.5	2640.4	2911.80	9/1/95	2412.80	22/11/95
Singapore							
SES All-S'pore(2/4/75)	597.97	594.31	592.65	598.76	26/1/96	472.90	23/1/95
South Africa							
JSE Gold(28/9/78)	1698.7♥	1730.9	1707.0	2023.80	2/1/95	1250.20	30/10/95
JSE Indl.(28/9/78)	8597.9♥	8688.4	8692.6	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx**(4/1/80)	878.82	875.45	873.15	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	330.34	327.85	325.61	331.43	25/1/96	264.08	23/3/95
Sweden							
AffarsvarldnGen(1/2/37)	1785.7	1748.6	1719.3	1872.10	19/9/95	1428.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1537.58	1531.09	1519.79	1578.68	4/1/96	1174.63	13/3/95
SBC General(1/4/87)	1131.20	1127.52	1115.80	1185.59	4/1/96	870.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	4763.40	4803.60	4892.30	7061.48	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1410.33	1393.34	1378.45	1472.04	10/7/95	1195.60	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	49489.5	46279.5	45813.8	54853.98	21/4/95	24644.30	23/1/95
WORLD							
MS Capital Intl(1/1/70)	743.8*	738.2	734.8	749.80	31/1/95	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1559.54	1549.40	1539.25	1559.54	31/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1405.37	1394.98	1388.97	1405.37	31/1/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	388.78	385.84	388.78	30/1/96	282.87	23/1/95
ING Brngs Emrg(7/1/92)	159.80	159.15	157.11	159.31	23/1/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jan	2012.0	2010.9	+7.8	2015.0	1999.0	23,208	15,024
Feb	2018.5	2028.0	+16.5	2032.5	2024.0	28,813	22,403
DAX							
Mar	2471.0	2474.0	+5.5	2483.0	2460.5	26,166	-
Jun	2482.5	2486.0	+3.5	2494.0	2478.0	1,293	42,897
OMX							
Feb	1384.00	1379.00	+8.00	1391.00	1375.75	7,309	11,038
Mar	1392.75	1396.50	+25.50	1396.50	1389.00	191	41
SOFFEX							
Jan	3255.5	3250.0	+10.0	3271.0	3243.1	7,038	14,729
Feb	3257.0	3256.5	+38.5	3257.0	3258.5	52	1,092

** Sat Jan 27: Taiwan Weighted Price 4861.53; Korea Comp Ex 864.77. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals 0 Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 31 - 2483.00 +6.91.

US INDICES

Dow Jones	Jan 30	Jan 29	Jan 26	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5381.21	5304.98	5271.75	5381.21 (30/1/96)	3832.05 (30/1/95)	5381.21 (30/1/95)	41.22 (2/7/32)
Home Bonds	105.74	105.75	105.79	105.80 (22/1/95)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1909.67	1906.54	1908.85	2092.77 (5/12/95)	1473.10 (3/1/95)	2092.71 (5/12/95)	12.32 (8/7/32)
Utilities	228.97	229.46	229.18	229.81 (24/1/96)	163.03 (3/1/95)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5409.75 (5336.22) Low 5288.73 (5246.62) (Theoretical♦)
Day's high 5381.57 (5306.07) Low 5308.79 (5271.75) (Actual♦)

Standard and Poors	Jan 30	Jan 29	Jan 26	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	630.15	624.22	621.62	630.15 (30/1/96)	459.11 (3/1/95)	630.10 (30/1/96)	4.40 (1/6/32)
Industrials♥	739.88	732.24	729.79	739.88 (30/1/96)	546.28 (3/1/95)	739.88 (30/1/96)	3.62 (21/6/32)
Financial	63.77	63.04	62.31	63.27 (30/1/96)	41.64 (3/1/95)	63.77 (30/1/96)	8.64 (1/10/74)
NYSE Comp.	337.28	334.20	332.84	337.28 (30/1/96)	250.73 (3/1/95)	337.28 (30/1/96)	4.46 (25/4/42)
Amex Mkt Val	550.96	547.58	545.24	553.58 (12/9/95)	433.12 (6/1/95)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1051.30	1042.50	1040.96	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Jan 26	Jan 18	Jan 12	Year ago
Dow Jones Ind. Div. Yield	2.24	2.28	2.33	2.79
	Jan 24	Jan 17	Jan 10	Year ago
S & P Ind. Div. yield	1.95	2.01	2.02	2.43
S & P Ind. P/E ratio	18.96	18.42	18.30	18.90

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	12,119,900	15⅛	-¼
Gen Motors	8,033,100	54	+1⅝
WalMart	6,328,200	20	+⅛
Fed Natl	4,850,900	33½	+⅞
IBM	4,585,000	108¾	+2¾
Westinghse	3,954,700	20⅞	+¾
Micron	3,943,400	33¾	-¼
Ford Motor	3,880,900	29⅞	+⅛
Merck	3,804,700	70	+1⅞
Chemical Bnk	2,921,700	66⅞	+⅞

■ TRADING ACTIVITY

● Volume (million)	Jan 30	Jan 29	Jan 26
New York SE	464.327	362.858	384.415
Amex	28.531	19.041	20.738
NASDAQ	554.084	444.785	527.810
NYSE			
Issues Traded	3,103	3,073	3,071
Rises	1,655	1,333	1,258
Falls	773	955	1,020
Unchanged	675	785	793
New Highs	276	168	106
New Lows	22	13	23

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	632.05	631.85	-0.65	632.50	631.50	74,683	189,649
Jun	637.80	637.40	-0.45	637.80	637.10	1,104	7,742
■ Nikkei 225							
Mar	20890.0	20800.0	+10.0	21070.0	20800.0	27,569	164,221
Jun	20860.0	20820.0	-	21040.0	20820.0	1,553	21,715

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 31, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	34.7m	305	+8
Nippon Steel Corp	22.0m	368	+8
Showa Line	12.5m	228	+11
Mitsubishi Heavy	12.1m	849	+18
Central Glass	8.5m	433	+24
Sumitomo Mtl Ind	9.3m	348	+10
Kawasaki Hvy Ind	8.7m	485	+10
Kawasaki Steel	8.7m	379	+14
Nikko Secs	8.1m	1320	+20
Iseki	8.0m	514	+20

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

4 pm close January 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22 1/8	12 1/8	AAR x	0.45	2.3	24	234	20 7/8	20 5/8	20 5/8	-1/8
45 3/4	35	AMP	1.00	2.6	19	6165	39 1/4	38 7/8	39	+1/2
80 3/4	53 7/8	AMR			30	6074	76 1/4	73 3/4	76	+2 1/2
47 7/8	36 1/8	ASA	1.71	3.7	30	969	46 1/2	46 1/8	46 1/2	+5/8
44 3/4	30 3/4	AbbtL	0.84	2.0	19	16126	42 5/8	41 5/8	42 1/4	+1/8
18 7/8	12	Abitibi Pr	0.40	2.4	6	1223	16 1/2	16 1/4	16 1/2	+1/8
28 1/2	31	ABM Ind	0.70	2.5	15	315	28	28	28	+1/4
17 1/2	13 1/8	Acpincoln			16	233	14 3/4	14 1/8	14 3/4	+1/8
44 1/4	21 7/8	ACE Ltd	0.56	1.3	16	2180	u44 1/4	43 7/8	44 1/8	+1/4
9 7/8	8 1/8	ACM Gvt In x	0.90	0.4	6	343	9 3/4	9 5/8	9 5/8	-1/8
7 7/8	6 1/2	ACM GvOpp x	0.66	3.7		332	7 3/4	7 1/2	7 7/8	
7 1/2	5 3/4	ACM Gvt Sp x	0.75	10.7		223	7 1/8	7	7	-1/4
9	7 1/4	ACM Gvt Se x	0.90	10.1		651	u9	8 7/8	8 7/8	
9 1/2	7 5/8	ACM Mun x	0.08	10.8		279	9 1/4	9	9	-1/8
25 1/4	10 1/4	AcmeClv	0.52	2.8	4	78	18 3/4	18 1/2	18 5/8	-1/8
38 3/4	7 3/8	Acme Elect			88	47	8 3/8	8	8	-1/4
34 1/2	23 3/4	Acordia	0.72	2.4	16	116	29 5/8	28 7/8	29 5/8	+5/8
16 3/4	16 1/8	Acuson			43	403	14 7/8	14 5/8	14 7/8	
19 7/8	16 5/8	Adams Expr	0.36	1.9	0	150	19 1/8	19	19	-1/8
38 7/8	18 3/8	AdvMic			6	7764	20 1/8	18 5/8	18 7/8	-1/8
9 7/8	6	Advest Grp	0.18	1.8	9	135	u9 7/8	9 1/2	9 3/4	+1/8
27 1/2	16 1/2	Advo Inc	0.16	0.6	22	967	21 5/8	21	21 7/8	
48 3/4	24.80	Aegon	1.28	3.1	13	223	42	41 1/2	41 1/2	-7/8

[illegible]

Continued on next page

3:30 pm January 31

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3:30 pm January 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	2	202	2⅝	2¼	2½	-⅛
ACC Corp	0.12	22	308	24⅞	24¼	[illegible]	[illegible]
Acclaim E		12	1689	10¾	10½	[illegible]	+⅛
Acme Mtls		7	10	17½	16¾	17½	[illegible]
Acxiom Cp		43	1557	27¾	27	27½	[illegible]
Adaptech		25	1220	44½	43	44	[illegible]
ADC Tele		41	13192	39¼	36¼	36¼	[illegible]
Addington		46	218	12⅞	13½	[illegible]	[illegible]
AdiaADR	0.16	9	26	[illegible]	[illegible]	[illegible]	
Adobe Sys	x0.20	26	49404	38	33¾	[illegible]	-3⅝
Adv Logic		12	184	7	6⅝	6¾	-¼
Adv Polym		14	1218	7	6¾	6¾	[illegible]
AdvTchLab		58	1677	21¼	25¼	[illegible]	[illegible]
Advanta	0.27	13	6407	44⅝	41¼	44¼	[illegible]
AgapcoEa	0.10	45	77	16⅝	16	[illegible]	-¼
AirExps	0.20	18	562	21¾	[illegible]	[illegible]	[illegible]
Alco ADR	1.63	5	396	53⅝	53	53¼	[illegible]
AlexBld	0.88	18	278	23¼	22¾	23	-½
Allen Org	0.52	12	14	42¼	41¼	41½	
Allen Ph		13	1040	17¼	16⅞	[illegible]	-⅛
AlldCapII	1.16	18	511	17¾	[illegible]	[illegible]	[illegible]
Alld Cap	1.54	12	111	14⅛	13½	[illegible]	[illegible]
Aloette C	0.12	1	60	[illegible]	3¼	[illegible]	[illegible]

AMEX COMPOSITE PRICES

3:30 pm January 31

FINANCIAL TIMES Thursday February 1 1996

AMERICA

Dow takes a breather after its record run

Wall Street

US stocks took a breather after their record breaking run on hopes of an interest rate cut. Prices were muted ahead of the decision from the Federal Open Market Committee, due in the afternoon, and traded within a narrow range, *writes Maggie Urry in New York.*

By 1pm the Dow Jones Industrial Average, which rose nearly 110 points over the first two days of the week, was up 2.17 at 5,383.38. The broader indices edged higher, with the Standard & Poor's 500 up 2.80 at 632.95 and the American Stock Exchange composite ahead 0.62 to 551.58. The Nasdaq composite rose 3.02 to 1,054.32. Volume on the NYSE came to 259m shares.

Stocks had little lead from the bond market, which was quietly firmer ahead of the interest rate decision, aided by suggestions that inflation remained under control and that economic activity was weakening.

Cyclical stocks underperformed others, as a slowing economy would affect their profits. Within the Dow's 30 shares, Caterpillar fell $⅝ to $63¾, Goodyear Tire and Rubber $1 to $47 and International Paper $1 to $40⅛.

Earnings reports gave the market some impetus. Ford Motor beat expectations with *fourth-quarter earnings* per share of 49 cents, compared with forecasts of 21 cents. The stock rose at first but slipped later to show a loss of $⅜ at $29¾; Chrysler and General Motors also fell, the latter retracing some of its $1¼ rise on Tuesday when it reported strong fourth-quarter earnings. Chrysler shed $½ to $57¼ and GM $⅜ to $52⅜.

Philip Morris, the tobacco and food group, pleased the market with fourth-quarter earnings per share slightly above forecast. Its shares rose $⅜ to $95⅞.

Kimberly-Clark, the paper maker which recently acquired rival Scott, reported earnings below *forecasts. That initially* hit the shares, which fell $3½ to $76. However, they recovered sharply as analysts looked behind the headline figures, to show a net gain on the day of $⅝ at $80⅞.

Also disappointing was Bethlehem Steel, which as well as producing fourth quarter earnings below forecasts was cau*tious for the first quarter of the* current year, saying price increases would not take effect until the second quarter. The shares dipped $¼ to $15.

Corning shares were active on hopes that the diversified *manufacturer might* raise $1bn by selling its *faltering* laboratory services division. The shares rose $⅜ to $31¼.

Topping the active share list was Hanson ADRs, following the Anglo-American group's *decision to break itself into* four new companies. The ADRs relinquished $⅛ at $15⅛.

Canada

Toronto was weak in midsession, awaiting news on the direction of US interest rates. The TSE-300 composite index was down 28.33 by noon at 4,959.54, after Tuesday's record close, in volume of 50.3m shares.

Nova, the energy giant, gave up an early advance to trade C$⅛ softer at C$12⅞.

Corel picked up C$¼ to C$14⅞ after the company acquired the WordPerfect word processor and related software *from Novell.*

SOUTH AFRICA

Johannesburg was under pressure as profit-takers returned with a vengeance to the industrial market and bullion's undecided mood made for nervous trading in golds.

The overall index fell 60.1 to *6,870.1, industrials shed 69.5* to 8,598.9 and golds dipped 32.8 to 1,698.1.

Analysts said that the market had begun to stabilise in late trade, after its intra-day correction which was sparked *in part by growing uncertainty about the possibility of a rate cut in the first half of the year.*

Dealers said that cyclical shares had been responsible for most of the day's activity with Iscor, the biggest loser *among blue chips, falling* 25 cents or 7.2 per cent to R3.21.

EUROPE

January ends with new Frankfurt peak

Another aggressive repo rate cut, 15 basis points, saw **FRANKFURT** set an emphatic new high on the session. It closed official business with the Dax at 2,470.14, wobbled in the afternoon as the dollar, bonds and the Dow *moved* against it, and ended Ibis trading with a 6.91 gain at 2,463.00.

Turnover rose from DM11.1bn to DM13.4bn; Daimler, Deutsche Bank and Siemens traded in DM4.4bn between them. Mr Eckhard Frahm at Merck Finck in Düsseldorf calculated that the official close left the Dax up 9.6 per cent on the month, compared with a 7 per cent gain for the whole of 1995.

The market, said Mr Frahm, was being driven by the dollar and corporate restructuring *prospects, as well as by liquidity* and the interest rate environment. DAX 30 earnings per share were expected to rise by 30 per cent this year, and by 13 per cent in 1997, and dollar-related stocks dominated the best Dax performers in January, led by Continental, Bayer and BMW, up 21.5, 17.6 and 15.1 per cent respectively.

Lufthansa rose another DM5.80 yesterday to DM223.80; the flag airline told a German business magazine on Sunday that it could treble its earnings by the year 2,000. SAP prefs dropped DM9.70 or 4.3 per cent to DM217.50 after a 44 per cent rise in 1995 earnings, and confident predictions for 1996.

PARIS, down at one point, rose for the sixth consecutive session on late foreign buying, the CAC-40 index ending 17.90 higher at 2,031.03, with turnover inflated to FFr7.23bn by expiry-related arbitrage.

Stocks which got a poor early reception improved. Bouygues, after its news of heavy provisions against the 1995 accounts, fell to FFr492.50 before closing a net FFr15 *down at FFr517;* L'Oreal, relatively flat in its initial reaction to higher turnover and profits for 1995, ended FFr19 ahead at FFr1,448.

Meanwhile, Rhône-Poulenc, the chemicals and pharmaceu*ticals group, outdistanced most* blue chips with a gain of FFr4 at FFr119, on higher earnings and plans to sell FFr10bn of assets to reduce debt.

MILAN built up its hopes for an imminent solution to the government crisis. The Comit index rose 6.17 to 619.94, while the real-time Mibtel index was 82 higher at 9,923.

Stet forged ahead L224 to L4,971 after newspaper reports that the group's assets might be sold in tranches, although many analysts were sceptical about the practicalities of such an operation.

Fiat was weak after its recent spurt, awaiting Mr Gianni Agnelli's last annual letter to shareholders as chairman, which came after the market closed. The shares fell L65 to L5,334. Mr Nicholas Potter at Credito Italiano Internazionale described the 1995 results as "acceptable but nothing special", adding that *the company was capable of* significantly more.

ZURICH continued higher, supported by a steady dollar, but activity was thin as many investors awaited the outcome of the FOMC meeting. The SMI index rose 11.9 to 3,248.7.

Bank Baer, which released 1995 figures, picked up SFr30 to SFr1,260. Registered shares in Elco Looser, the heating equipment manufacturer, which closed at SFr491 on Tuesday, were suspended throughout yesterday's session ahead of the SFr535 a share bid from Preussag, the German engineering group.

MADRID featured a near 8 per cent gain in Repsol, up Pta125 at Pta4,360, on signs that the latest privatisation offer was being well absorbed. The general index rose 27.40 to 3,734.49. **BRUSSELS** liked a 15 basis-point cut in *the Belgian* National Bank's central rate, and the Bel-20 index put on 14.56 at 1,690.23.

Forestries, with sector indices up 2.7 and 2.3 per cent respectively, lifted **HELSINKI**, where the Hex index rose 12.50 to 1,752.41, and **STOCKHOLM**, where the Affärsvärlden General index closed 16.1 better at 1,765.1. However, the Swedes also enjoyed a 1.6 per cent lift in the drugs sector, where *Astra rose SKr5 to SKr282, and* Pharmacia & Upjohn also by SKr5, to SKr282.50, after overnight sector gains in the US.

ISTANBUL leapt 6.9 per cent as Turkey and Greece withdrew from a disputed rocky outcrop in the Aegean Sea after a tense stand-off on Tuesday. The IMKB-100 index gained 3,210 at 49,489.5. Analysts noted, however, that the market remained sensitive to domestic politics over efforts to form a coalition government after the inconclusive December elections.

ATHENS also reacted to the de-escalation of tension, with a 1.6 per cent rise. The general index moved up 15.08 to 989.45.

WARSAW picked up 2.4 per cent, taking the month's advance to 30 per cent and the market to a 52-week high. The Wig index rose 241.6 to 10,413.1 on hopes that the year's second interest rate cut could come as soon as February.

Animex, the food processor, jumped 2.70 zlotys to 29.80 on news that it would receive a 19m-zloty refund after paying too much tax in 1990.

BUDAPEST was higher for the 13th successive session and the Bux index climbed 65.26 to 2,068.06. Bearer shares in Agrimpex, the agricultural trading company, soared Ft1,500 to Ft13,000 as the group *established a subsidiary* intended to centralise its trading activity.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jan 31 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1563.12	1562.42	1562.27	1560.45	1561.58	1561.18	1559.49	1559.54
FT-SE Eurotrack 200	1666.62	1665.80	1665.63	1664.63	1665.16	1665.86	1665.10	1662.09

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24
FT-SE Eurotrack 100	1549.40	1539.25	1536.40	1543.95	1540.68
FT-SE Eurotrack 200	1658.45	1654.51	1644.06	1651.49	1646.62

Base 1000 (26/10/90); Highday: 100 - 1563.12; 200 - 1667.29 Lowday: 100 - 1558.26 200 - 1660.86 † Partial

ASIA PACIFIC

Nikkei at 17-month high on foreign demand

Tokyo

Japanese equities saw broad, active foreign buying on mounting hopes of economic recovery and following another record breaking Wall Street advance. The Nikkei average closed at a 17-month high, *writes Emiko Terazono in Tokyo.*

The 225 index was up 90.30 at 20,812.74 after moving between *20,786.63 and 21,021.63, topping* 21,000 briefly for the first time since June 1994 on purchases of cyclicals such as steels and shipbuilders.

Volume totalled 731m shares, against 560m. Foreigners and *brokers bought large-capital* cyclicals, while individual investors traded speculative favourites. But domestic institutions remained on the selling side. The Topix index of all first section stocks rose 14.97 to *1,613.11 and the Nikkei 300* by 3.20 to 301.79. Advances led declines by 727 to 342, with 145 issues unchanged.

In London the ISE/Nikkei 50 index gained 1.31 at 1,413.35.

Investor confidence was also boosted by the yen's decline against the dollar. On the economic front, following Monday's rise in industrial production, the Economic Planning Agency's Tuesday report of the diffusion index of leading economic indicators in November stayed above the boom-or-bust level of 50 per cent for the second consecutive month.

NKK, the steelmaker, was the most active issue of the day, gaining Y8 at Y305. Investors were encouraged by NKK's restructuring of its leasing subsidiary and the stock was supported by foreign and domestic institutional buying. Other steel issues were also firm, Kawasaki Steel rising Y14 to Y379 and Sumitomo Metal Industries Y10 to Y349.

The dollar's rise supported shipping companies, which conduct their business in the US currency. Showa Line moved ahead Y11 to Y228 and Mitsui OSK Lines Y10 to Y352.

Brokers gained ground on expectations of higher earnings due to the recent rise in stock *market activity. Nomura Securities* put on Y90 at Y2,320 and Daiwa Securities Y50 at Y1,600.

Speculative shares were mixed. Announcements by the Tokyo and Osaka stock exchanges of restrictions on *margin trading* in Daido Steel Sheet prompted profit-taking in some issues. Daido fell Y40 to Y2,150 and Kyokuyo inched down Y1 to Y849. However, Toho Zinc climbed Y27 to Y800.

In Osaka, the OSE average *moved up 212.71 to 22,331.56* in volume of 149.8m shares.

Roundup

The regions's biggest markets, especially, were influenced by *Wall Street. HONG KONG,* however, gave up part of its sharp early gains as specula*tion grew that there could be a* spate of covered warrant issues. The Hang Seng index still ended 158.24 or 1.4 per cent ahead at 11,359.70, after a day's high of 11,411.14, in turnover that swelled to HK$9.1bn.

SYDNEY *offered better than* expected December current account data and a subsequent rally in bonds as the domestic ingredients as the All Ordinaries index advanced 22.7 to 2,288.5 in turnover of A$670.1m.

WELLINGTON's market leaders, Telecom and Carter Holt, both closed 11 cents up at NZ$6.45 and NZ$3.17 respectively. The NZSE-40 index rose 23.09 to 2,114.66 in good volume of NZ$65m.

SINGAPORE *finished higher* on foreign institutional interest in blue chips, with particu*larly strong gains in property* and banking, and on some light accumulation in recent underperformers. The Straits Times Industrial index put on 25.47 at 2,449.15.

BOMBAY was higher on further *foreign* demand, with investors apparently shrugging off the sliding rupee, which fell to an all-time low against the dollar in intra-day trading. The BSE-30 composite index gained 21.92 at 2,931.84.

JAKARTA rose in anticipation of lower US interest rates, the JKSE composite index gaining 9.38 or 1.65 per cent at 578.56, with liquid, heavyweight stocks prominent among the winners. **BANGKOK** *registered a six-month* peak, also in busy trade, the SET index closing 16.99 up at 1,410.33 in Bt15.5bn *turnover.*

SEOUL saw demand for blue chips offset selling of small-capitalisation stocks, and the composite index added 3.37 at 878.82 ahead of today's publication of consumer and producer price figures.

KUALA LUMPUR extended recent gains, although late foreign selling trimmed prices as many investors, apparently, decided to lock in profits ahead of a market holiday today. The composite index finished 2.53 ahead at 1,055.43, having touched 1,067.50.

TAIPEI, still troubled by China fears, fell late in the day. Selling pressure emerged from short-term oriented investors *after Tuesday's strong rally,* and the weighted index lost 40.40 at 4,763.40.

São Paulo mixed at midday

São Paulo was mixed in midday trade as investors digested the lowering of Brazil's real currency foreign exchange band. The Bovespa index, which jumped 4 per cent on Tuesday, was 28 points higher at 51,363. Analysts noted that although the change was seen as positive, foreign investors, in particular, might need some time to understand that the central bank move did not have immediate implications for the country's foreign exchange policy.

BUENOS AIRES was slightly weaker, although analysts noted that investors had largely shrugged off news of a sharp drop in industrial output. The Merval index had slipped 1.14 points to 562.76 in early trade.

Dealers also noted that the market was holding fire, awaiting the US Federal Open Market Committee's decision on whether to lower short-term interest rates.

CARACAS equity and Brady bond prices were lower in midday trade as the market continued to adjust to new Brady bond trading rules. The 19-share IBC index was standing 13.71 easier at 2,044.48.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Jan 26 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: Jan 26 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(248)	510.56	-0.3	+8.2			
Argentina	(31)	890.80	+2.0	+10.0	540,244.42	+2.0	+9.8
Brazil	(66)	340.18	-0.1	+11.4	1,244.87	+0.5	+12.1
Chile	(43)	719.82	-3.7	-3.6	1,191.49	-2.9	-2.3
Colombia	(15)	560.01	-0.7	-6.4	1,018.66	-0.1	-2.9
Mexico	(65)	521.75	+1.1	+15.1	1,670.50	+1.1	+10.9
Peru	(21)	203.33	-2.3	+3.1	293.97	-1.2	+5.8
Venezuela	(5)	318.76	+3.8	-4.7	2,693.27	+2.9	+3.2
Asia	(631)	244.02	+0.2	+5.1			
China	(23)	59.61	-1.6	+10.2	62.58	-1.7	+10.1
South Korea	(145)	121.42	+3.0	-3.8	125.40	+2.4	-2.3
Philippines	(35)	290.49	+3.9	+11.9	367.29	+3.6	+11.7
Taiwan, China	(83)	107.54	-1.7	-4.6	110.87	-1.5	-4.0
India	(76)	72.78	-2.4	-9.4	92.97	-2.2	-7.4
Indonesia	(44)	120.24	+0.4	+9.8	149.77	+0.6	+9.9
Malaysia	(123)	287.50	-0.6	+6.0	271.04	-0.5	+6.7
Pakistan	(25)	264.72	+8.6	+9.1	411.36	+8.6	+9.1
Sri Lanka	(5)	108.43	+0.3	+4.2	126.20	+0.3	+4.4
Thailand	(72)	403.36	-0.1	+7.3	405.87	+0.1	+8.0
Euro/Mid East	(236)	159.06	+0.6	+12.3			
Greece	(47)	252.49	-1.0	+4.5	421.92	+0.5	+9.0
Hungary	(8)	126.10	+7.4	+26.1	215.88	+9.0	+33.3
Jordan	(8)	182.03	+0.8	-1.4	271.64	+0.8	-1.4
Poland	(22)	540.82	+14.6	+26.8	868.82	+15.7	+31.2
Portugal	(26)	121.59	-0.0	+5.0	129.69	+1.5	+9.1
South Africa	(63)	238.57	+1.5	+11.8	217.86	+1.8	+12.2
Turkey	(54)	130.71	-7.4	+25.1	3,651.14	-5.3	+28.8
Zimbabwe	(5)	290.66	+1.3	+5.8	402.44	+1.5	+6.7
Composite	(1117)	297.40	+0.1	+7.8			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: [illegible]

The Asian emerging markets are finding favour once more as US money returns, writes John Pitt. Standard Chartered says that the growth of interest stems from several fundamental changes in attitude: yields on US 30-year bonds have fallen, while the Dow Jones Industrial Average, at new highs, has encouraged many investors to look around for opportunities to "hedge their bets". The rally in Hong Kong this week certainly bears testimony to such a view.

This week Mr Alan Butler-Henderson of ING Barings said that he was reaffirming his bullish stance on the region, and he believed Malaysia, Thailand and the Philippines would be the best performers. Throwing caution to the wind he forecast that the regional index was likely to rise by 12.5 per cent between now and April, "rising to 20 per cent during the second half of 1996 and advancing to 50 per cent by November. In contrast, Wall Street will continue along its conservative track, and dollar-based returns from Japan and Europe will temper as a result of currency weakness."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 30 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 29 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (81)	192.69	-0.3	190.11	130.76	149.40	172.95	-0.6	3.67	193.52	190.26	130.40	148.50	173.95	193.40	157.95	164.28
Austria (26)	185.71	0.1	183.04	125.90	143.84	143.66	0.3	1.50	185.61	182.50	126.07	143.39	144.21	189.29	167.49	175.13
Belgium (34)	212.08	0.5	209.03	143.78	164.27	160.30	0.3	3.26	211.03	207.49	142.20	163.03	158.03	215.22	186.86	186.36
Brazil (28)	160.18	3.2	157.88	108.59	124.07	288.39	3.2	1.53	155.21	152.61	104.59	119.60	279.56	160.23	96.06	137.05
Canada (101)	155.89	1.0	153.65	105.69	120.75	156.42	0.9	2.40	154.41	151.82	104.06	119.26	154.25	155.89	121.81	131.61
Denmark (33)	297.39	-0.2	293.11	201.61	230.35	233.23	0.1	1.40	297.86	292.87	200.71	230.71	233.02	302.74	252.41	254.05
Finland (24)	178.55	0.8	175.99	121.05	138.30	171.19	1.2	1.86	177.07	174.10	119.82	136.79	169.27	275.11	171.13	185.02
France (99)	164.03	0.8	161.68	111.21	127.06	142.78	1.1	3.05	162.51	159.82	110.00	125.88	141.20	164.03	137.11	150.21
Germany (60)	166.65	-0.7	166.22	114.33	130.63	166.63	-0.4	1.63	169.80	166.95	114.42	131.17	167.17	[illegible]	[illegible]	[illegible]
Hong Kong (59)	435.14	1.3	428.88	295.00	337.05	432.01	1.3	3.28	429.56	422.39	289.47	331.86	426.53	435.14	[illegible]	[illegible]
Ireland (16)	254.90	-0.5	251.24	172.81	197.44	230.23	-0.3	3.24	256.20	251.91	172.64	197.92	230.97	[illegible]	[illegible]	[illegible]
Italy (59)	78.25	1.7	75.15	51.86	59.06	91.11	1.7	1.51	74.98	73.70	50.51	57.91	89.59	82.71	65.45	[illegible]
Japan (482)	160.27	-0.3	145.11	101.87	116.40	101.87	0.3	0.75	150.77	148.25	101.60	118.47	101.60	164.82	136.95	148.89
Malaysia (107)	508.09	0.6	500.75	344.43	393.53	500.78	0.6	1.67	504.22	495.77	339.78	389.51	498.84	[illegible]	[illegible]	[illegible]
Mexico (18)	1214.13	0.3	1196.67	823.11	940.44	9792.91	-0.2	1.43	1209.84	1189.57	815.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	272.32	-0.5	268.41	184.62	210.93	207.33	-0.2	3.15	273.64	269.05	184.39	211.39	207.81	[illegible]	[illegible]	[illegible]
New Zealand (14)	78.85	0.5	77.72	53.46	61.08	62.60	0.1	4.64	78.66	77.35	53.01	60.77	62.52	[illegible]	72.57	73.47
Norway (33)	224.41	-0.3	221.18	152.13	173.82	188.76	-0.1	2.11	225.20	221.43	151.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	439.73	0.1	433.46	298.15	340.65	287.89	0.3	1.40	439.20	431.84	295.94	339.28	287.10	445.07	340.31	340.76
South Africa (43)	334.41	-0.1	327.38	225.99	258.07	346.24	-0.2	3.40	334.27	327.00	225.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (37)	163.02	0.9	160.68	110.52	126.27	156.56	0.9	3.73	161.62	158.91	108.90	124.86	155.18	163.81	134.10	[illegible]
Sweden (47)	301.75	2.2	297.41	204.57	233.73	311.16	1.8	1.80	295.31	290.36	198.99	228.13	305.60	324.31	232.23	237.49
Switzerland (38)	221.21	1.0	218.03	149.97	171.34	168.42	1.0	1.96	219.09	215.41	147.76	169.65	166.65	230.35	182.08	[illegible]
Thailand (46)	187.95	1.4	185.25	127.42	145.59	184.68	1.4	2.17	185.31	182.20	124.87	143.15	182.25	187.96	[illegible]	137.19
United Kingdom (206)	226.03	-0.2	222.78	153.24	175.08	222.78	0.0	4.17	226.50	222.70	152.62	174.97	222.70	232.22	192.73	193.40
USA (632)	258.65	1.0	233.14	174.12	198.94	258.63	1.0	2.22	254.92	250.06	171.37	196.46	254.32	[illegible]	[illegible]	[illegible]
Americas (776)	234.80	1.0	231.42	159.18	181.87	197.36	1.0	2.22	232.47	228.57	156.64	179.58	195.42	234.80	176.22	178.22
Europe (732)	188.54	0.2	185.87	127.87	145.96	178.26	0.4	3.02	189.13	185.79	127.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (137)	269.37	1.3	265.50	182.62	208.65	239.00	1.2	1.84	265.98	261.51	179.21	205.48	236.14	[illegible]	[illegible]	[illegible]
Pacific Basin (833)	163.20	-0.1	160.85	110.64	126.41	113.39	0.3	1.17	163.48	160.71	110.14	126.28	113.18	171.87	145.36	155.07
Euro-Pacific (1565)	178.24	0.0	175.67	120.83	138.06	137.00	0.4	2.04	178.21	175.22	120.08	137.67	136.50	183.39	158.57	160.60
North America (733)	250.56	1.0	246.95	169.87	194.08	249.99	1.0	2.23	248.11	243.95	167.19	191.57	247.55	250.56	187.65	[illegible]
Europe Ex. UK (526)	180.56	0.4	177.97	122.41	139.86	148.95	0.6	2.28	179.76	176.77	121.14	138.88	147.72	184.61	155.45	[illegible]
Pacific Ex. Japan (351)	282.96	0.8	278.89	191.83	219.17	249.88	0.8	2.84	280.72	276.02	189.15	217.24	248.47	282.96	216.81	218.27
World Ex. US (1757)	180.28	0.1	177.69	122.22	139.64	141.43	0.4	2.07	180.17	177.13	121.41	139.13	140.89	184.71	160.72	[illegible]
World Ex. UK (2183)	201.57	0.5	198.67	136.65	156.13	169.89	0.7	1.93	200.54	197.16	135.13	154.91	168.71	202.08	[illegible]	[illegible]
World Ex. Japan (1907)	233.49	0.7	230.13	158.29	180.85	221.07	0.8	2.58	231.89	228.00	156.25	179.13	219.42	233.49	[illegible]	182.89
The World Index (2389)	203.77	0.5	200.84	138.14	157.83	174.86	0.6	2.13	202.85	199.45	136.69	156.70	173.55	204.65	169.20	169.90

CONSTITUENT CHANGE 30/1/96 Name change: Detroit Edison to DTE Energy (USA). Latest prices were unavailable for this edition.

UK threatens to challenge Iberia subsidy

By Robert Shrimsley in London and Emma Tucker in Brussels

The British government last night threatened a European Court challenge to a Commission decision approving a large state subsidy for the Spanish airline Iberia.

Ministers and MPs denounced the ruling by Mr Neil Kinnock, the EU transport commissioner, to approve around Pta87bn ($713m) aid to the airline as a "depressingly weak decision".

Viscount Goschen, Britain's aviation minister, said he would study the judgment, and added he "certainly would not rule out" a European Court challenge to the ruling. "We have already shown our resolve," he said in a reference to the pending challenge to Air France's state aid.

British Airways expressed "surprise" but is waiting to read the terms of the agreement before deciding on possible court action.

Mr Kinnock has justified his position by saying the Spanish government's rescue package for the troubled airline should not be categorised as state aid in the traditional sense.

He argued that the sum fell far short of Iberia's original demand for Pta130bn and that it had already taken substantial steps to turn itself into a viable enterprise. A further Pta20bn is available next year if Iberia can demonstrate its viability.

As part of its restructuring, the airline has been forced to sell its 85 per cent stake in the lossmaking Aerolineas Argentinas, which had been draining it of about $900m a year. It has also frozen all salaries and made 3,000 workers redundant.

Mr Kinnock said the new investment could be justified on strict commercial grounds under what is known as the "market investor principle". This allows government investment if the Commission is satisfied a private investor would have been prepared to act in the same way.

However, Lord Goschen disputed Mr Kinnock's argument saying: "If this was a commercial decision, where were the banks? I can't believe anyone seriously believes Iberia is a sound investment."

He derided the ruling as "depressingly weak", adding: "We have worked so hard to get an open market in aviation and this flies in the face of what we have been doing."

Sir George Young, the transport secretary, said the former Labour party leader's decision could "undermine all our efforts to establish fair competition in the community aviation market".

Tory MPs were even more furious. Mr Neil Hamilton, former industry minister and a leading Eurosceptic, described the decision as "another Brussels subsidised attack on Britain's efficient private enterprise airlines".

"The British government should bang the table and complain at this unfair competition undermining British Airways and other efficient British private sector companies, so that lossmaking state airlines throughout Europe can be subsidised, sometimes through the back door," he said.

Computer delay hits air traffic control complex

By Michael Cassell, Business Correspondent

The opening of Europe's largest air traffic control centre at Swanwick, near Fareham in Hampshire, has been postponed for a year because of serious problems in installing computer software systems.

The £350m ($528m) development, to take responsibility for all air traffic control in England and Wales, was due to open in December this year but will not now become operational until December 1997.

Mr Derek McLauchlan, chief executive of National Air Traffic Safety Services, the air traffic control arm of the Civil Aviation Authority, said he was disappointed by the delay but that there was "no question of introducing any new system unless it is absolutely safe".

The IPMS union, which represents 3,500 UK air traffic controllers, said the delay was "regrettable" but that safety was of paramount importance to its members.

Building work on the centre was completed in 1995 and it is understood that the problems – in attempts to install and integrate 2m lines of software – began to emerge towards the end of last year. A NATS spokeswoman said the contractors handling the installation, a consortium led by Loral Systems of the US and also including Siemens Plessey and Frequentis, had "run into snags with an extraordinarily complex task". When it was announced in 1993, the contract was valued at £130m.

Swanwick will take over from the London Area and Terminal Control Centre at West Drayton in Middlesex and will be among the world's largest air traffic control complexes.

The investment by the NATS forms part of a planned £660m programme to concentrate its operations at Swanwick and at Prestwick in Scotland, which is scheduled to begin operating at the start of the next decade.

Last year, the government said the planned £200m Prestwick centre, to handle traffic over Scotland and the north-eastern Atlantic, would have to be built, equipped and owned by a consortium of private sector companies. But the CAA said the government's private finance initiative was an inappropriate way of funding air traffic control investment.

Tradepoint in Bloomberg link-up

By Norma Cohen

Tradepoint Investment Exchange, the rival to the London Stock Exchange, said yesterday that it has signed an agreement with data and information provider Bloomberg which will allow those using Bloomberg's 55,000 terminals worldwide to execute trades in UK shares.

This means that traders and investors with Bloomberg screens can obtain direct access to the London market, bypassing intermediaries. About half of Bloomberg's screens are based in the US market where users prefer the type of dealing system used by Tradepoint to the quote-driven system operated by the London Stock Exchange. Bloomberg also has a significant presence in the Asian markets.

"That means we are getting global reach at no cost to ourselves," said Mr Stephen Wilson, Tradepoint's executive director. "There is no way we could build that global reach ourselves," he said.

Already, Mr Wilson said, Tradepoint's volumes are rising by about 20 per cent each month. The number of trades in January rose to 350 from 110 in October and by volume, turnover last month totalled £30m ($45.3m), up from £9m in October.

While the volumes remain minuscule relative to London stock exchange total turnover, Mr Wilson said the trend is indicative of users' growing comfort with the system.

For Bloomberg, which has agreed to invest in software for the venture, the move opens up the system to data from an alternative source. Mr Michael Bloomberg has so far largely resisted pressure from some subscribers to "open" the system so that competitors' data can be fed into Bloomberg screens and integrated into its analytic packages.

Tradepoint opened for business last October and offers an order-matching facility in which buyers and sellers advertise firm prices at which they are prepared to deal in set lots of shares and dealing is conducted electronically. It is an alternative to the London Stock Exchange's quote-driven system on which market makers quote prices at which they will buy or sell large blocks of shares and investors negotiate deals by phone.

However, many investors – particularly foreign investors – have complained that trading costs in the UK are too high. The London stock exchange is currently considering how to expand its dealing system to include some order-matching capacity.

UK NEWS DIGEST

Unions urge preparation for monetary union

Britain's Trades Union Congress is proposing a joint campaign with the Bank of England and the Confederation of British Industry to establish a national consensus on preparations for possible participation in European Economic and Monetary Union.

Senior union leaders believe the UK cannot afford to stand aside from Emu in the hope that it will never happen, or that it will quickly fail. They will propose shortly that Mr John Monks, the TUC general secretary, Mr Eddie George, the governor of the Bank of England and Mr Adair Turner, the director-general of the CBI, join a task force to examine all the UK's options.

Union leaders are convinced that the Euro would help to prevent currency speculation and assist collective bargaining across the EU's labour markets.

Union leaders also believe the UK would face the danger of isolation if it decides to stay outside a common currency area.

They argue that the UK committed itself at the EU Council in Madrid in December to accept a high degree of monetary convergence, whether it joins Emu or not.

However, the TUC is pressing for a commitment to full employment to be written into the new EU treaty that will emerge from this year's intergovernmental conference.

Robert Taylor, Employment Editor

Short-term contracts take hold

Workers employed on short-term contracts to meet sudden increases in demand are becoming an important part of UK industry as Japanese-style manufacturing techniques spread.

A Financial Times study has revealed a 67.5 per cent increase in five years in the numbers of manufacturing employees on temporary contracts. These can be for as little as one day, though typically last from three to six months.

The use of such workers has become critical to many manufacturers, which are switching to just-in-time working practices, in which stocks are minimised and companies turn out goods quickly to fill orders.

Several companies – including the UK divisions of Black & Decker and Procter & Gamble – say temporary production workers have helped them improve competitiveness, especially in continental Europe.

Peter Marsh, London

Insurers back quake coverage

London-based insurers, including Lloyd's, are providing a substantial chunk of reinsurance coverage for the California Earthquake Authority, a state-sponsored body set up to protect homeowners against a large-scale catastrophe.

Lloyd's non-marine insurers are providing some $194m in capacity, and other London insurers are underwriting a further $71m of cover. The contributions are part of $2bn in cover being sort as part of a complex $10.5bn reinsurance programme, providing different amounts of cover according to the severity of any incident. Mr David Rowland, Lloyd's chairman, recently met the project's instigator, Mr Chuck Quackenbush, the California insurance commissioner. Yesterday Mr Rowland said: "The market continnes to be a world leader when it comes to finding solutions in some of the most difficult areas."

Ralph Atkins, Insurance Correspondent

Overseas sales shown declining

Fresh signs that export growth is weakening after the surges seen earlier in the recovery emerged yesterday in a business survey. A report by DHL, the express package service, and Gallup, the polling organisation, found that the proportion of companies reporting strong overseas sales fell slightly in the last quarter. Of the 1,000 companies surveyed at the end of 1995 only 54 per cent said that export expectations for the next three months were "good" or "excellent". Although this level is relatively healthy, it is the lowest since the end of 1993.

Gillian Tett, Economics Staff

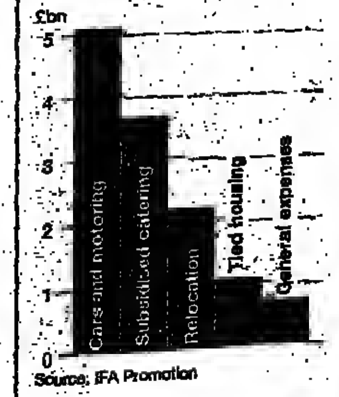
Panasonic to create 100 jobs

Panasonic UK is to invest £40m ($60.4m) in a new semi-automated warehouse in Northampton, creating about 100 jobs. The company, a member of the Japanese Matsushita group, will buy 52 acres of an existing distribution estate shared with Coca Cola, GE Lighting and Black & Decker. The new warehouse will occupy 17 acres and the remainder will be availabla for expansion. Mr Michael Brooke, managing director of Panasonic Logistics, said that the warehouse would serve Panasonic's distribution needs in the south and Midlands from July next year.

Alan Cane, London

Cars 'most popular perk'

Top 5 company perks



Source: IFA Promotion

Company cars are Britain's most popular business perk, driven by almost 2m people at e cost of about £5.1bn ($7.7bn) a year, according to a survey of employee benefits. Cars out-rank company canteens as tha most expensive benefit in kind, representing almost a third of the £16.2bn spent on perks in the 1994/95 tax year. Research by IFA Promotion, which represents more than 15,000 financial advisers, showed that the cost of benefits in kind was equivalent to 6 per cent of the UK's wage bill. Spending on employee benefits has more than doubled in the past 10 years, rising by an estimated 260 per cent.

Richard Wolffe, London

Contracts

COMPUTERS: Hoskyns, UK subsidiary of the French-based computer services CGS group, has won a £2m ($3.02m) contract to provide new logistics and financial systems to MoDo, the paper manufacturer and distributor at its West Byfleet headquarters.

ADVERTISING: M&C Saatchi, Mr Maurice Saatchi's breakaway advertising agency, has been appointed by The Asprey Group, the luxury goods company, to take charge of its advertising. The total communications budget will be about £6m ($9.06m).

North Sea platform operators seek cost savings

By Robert Corzine

Regional operators of North Sea oil and gas platforms may emerge in future as a result of attempts to cut costs in the offshore oil industry.

Operating costs could be cut substantially, speakers at an industry conference in London yesterday suggested, if there were fewer operators in specific sections of the North Sea.

Under the present system there can be a large number of platform operators within a fairly small area.

But Mr Graham Hearne, head of Enterprise Oil, one of the UK's largest independent explorers, said that the industry should consider "area agreements where one or two companies do all the operating across swathes of blocks".

At present co-operation among operators of nearby fields is confined to the sharing of helicopters or supply boats. Any move to a single operator in an area would be a radical departure from current practice, say industry experts.

But most oil executives agree there will need to be further improvements in the cost structure of the North Sea to maintain its competitiveness as international oil companies become increasingly selective as to where they will invest.

The competitiveness of the North Sea has been boosted in recent years, in part because of an industry-wide initiative known as "cost reduction in the new era", or Crine.

But the Crine initiative, which began three years ago, has focused only on lowering the capital cost of new projects by 30 per cent. Capital savings have also been made as a result of partnership arrangements, under which contractors bear some of the financial risk in exchange for sharing in any financial benefits if projects are completed under budget or ahead of a deadline.

Yesterday delegates considered whether Crine, which was the first such industry-wide cost reduction initiative in the UK, should be extended. They said the prospect of relatively soft oil prices for some time to come suggested that cost reduction drives be enlarged to include exploration and appraisal of undeveloped fields and the long-term production phase of fields, including their eventual decommissioning.

Mr John Wils of BHP, the Australian oil company, said the Crine programme was a "valuable initiative reaching the end of its shelf life". Nothing "should be outside the remit" of its replacement, he said.

Some delegates expressed concern, however, that the increasingly close relationship between big North Sea oil companies and a handful of their main suppliers and contractors was stifling innovation.

Mr John d'Ancona, a spokesman for smaller companies in the sector, said the international competitiveness of Britain's offshore supply industry could suffer as a result of the "arid philosophy of partnering" between the big companies.

Delegates said an industry fund might be created to ensure that money was available to allow innovative ideas from small companies to be developed into products for the offshore industry.

Pressure grows to increase MPs' pay

By John Kampfner, Chief Political Correspondent

The campaign to boost the pay of Britain's MPs gathered momentum last night as several ministers expressed support for a call from more than half the total number of backbenchers for an independent review of salary levels.

Although a Commons motion, signed by 291 MPs, asked the Nolan committee to look into the question and report back by April 30, several suggested it would be better assigned to another panel such as the senior salaries review body.

The opposition Labour party leadership expressed concern at what it said was a Tory campaign to distort the motion, linking the demand for an independent assessment with calls by some MPs for a doubling of their pay.

Lord Nolan, whose report on political impropriety last year has led to restrictions on MPs' outside earnings, said it was for the prime minister to change the remit of his committee to look into pay.

The current pay for MPs of £34,000 is well below most Western equivalents, although they are given generous office allowances and subsistence. Other devices to top up pay include using spouses as secretaries and driving long distances to and from constituencies to earn mileage.

Previously MPs voted each year on pay and such was the embarrassment that the session was usually held late at night.

Many MPs, especially Tories, believe their official earnings are so demeaning that they are deterring talented newcomers from joining. They argue that salaries have remained static over the past 30 years whereas average wages in real terms have gone up by 50 per cent.

Some 52 Conservatives have already announced that they are standing down at the next election, some making clear their need to make up for lost time by taking jobs in the City.

Farmers' leader raps minister on CAP cash

By Alison Maitland

The president of Britain's National Farmers' Union yesterday attacked Mr Douglas Hogg, the agriculture minister, for calling for cuts in farm subsidies, as government figures showed farm incomes jumped last year to their highest for 20 years.

Sir David Naish said the government "should be pleased we have a strong agriculture and that we are competitive – and not deprecate it".

Mr Hogg revealed in a letter in yesterday's Financial Times that he had written to Mr Franz Fischler, the EU's agriculture commissioner, saying arable farmers had enjoyed "massive overcompensation" because EU market prices had fallen by less than expected at the time of the price-cutting reforms of the Common Agricultural Policy in 1992.

"I very much hope he will recommend the Agriculture Council to reduce the payment rates," wrote Mr Hogg.

Sir David, vigorously defending the 29 per cent real rise in farmers' incomes last year, said Mr Hogg was pressing the UK objective of further CAP reform without considering the interests of the other 14 member states.

"Before he starts writing those sort of letters, he really ought to see what the effect in the strong currency countries has been, where they haven't had an effective 30 per cent devaluation of the pound," said Sir David, who is also president of Copa, the umbrella European farmers' body.

The agriculture ministry said farmers' incomes rose by £1bn last year to just above £4bn. Total income from farming, which includes payments to partners, directors and family workers as well as farmers and their spouses, rose 22 per cent to £5bn.

Mr Hogg said this was the fourth successive increase in total income, taking it back above the level of the early 1980s in real terms.

Cereal farmers fared best, benefiting from high market prices and increased compensation payments. Pig farmers' incomes recovered as prices rose from the depressed levels of recent years.

Only the poultry sector showed a significant fall, because of the increased cost of cereal-based feed and lower output prices.

Sir David said more than 70 per cent of last year's increase in incomes came from higher market prices. "We're getting nearer to world prices, and that must be the way the industry is driven."

He insisted that farm incomes were recovering from very low levels in the late 1980s and early 1990s.

"I'm not in the least ashamed that the industry is now making sensible profits because it's reinvesting them in the countryside, and in plant and equipment to keep us competitive," he said.

Relief may be at hand for consumers fed up with the taste of milk substitutes and conventional heat-treated milks, *Deborah Hargreaves writes.*

Milk Marque, the farmers' dairy co-operative, has developed a process for treating fresh milk, which it says preserves the taste and freshness for up to 28 days.

Passengers aboard Britain's main airlines have been able to enjoy the extended-life milk with their morning cornflakes since October, following the launch of the product. The airline British Midland is planning to use the milk for all its tea and coffee in the next few weeks.

The Milk Marque process heats the milk to 120 degrees Celsius for a few seconds. At that temperature most bacteria are killed but the taste is not impaired, as it can be in ultra-heat-treated (UHT) milk which is heated to 140 degrees.

The milk is then packed into sterile boxes, which means it can be kept longer than pasteurised milk, where the containers are clean but not sterile. Unlike UHT milk, it has to be kept in the refrigerator.

Since October Farm Produce Marketing, a small company set up three years ago on a Cheshire dairy farm, has been marketing the extended-life milk to airlines.

It is being offered on breakfast flights as "Milk from Cheshire" in 125ml boxes.

Dutch bank plans new City HQ

ABN Amro, the Dutch banking group, plans to build a new investment banking headquarters at Spitalfields, the site of the former fruit market on the north-eastern edge of the City of London.

The decision will have been a relief for the Corporation of London, the City's local authority, which has been campaigning to stop financial sector companies relocating to Canary Wharf, the large office development in docklands.

The new steel and glass structure will mark the first phase of the planned rebuilding of Spitalfields – which has been earmarked for redevelopment for more than a decade.

The site is owned by a consortium comprising BICC, the engineering and construction group, Costain, the construction company and SPP, the Swedish investment institution. Costain and Balfour Beatty, a subsidiary of BICC, have been awarded the £50m ($75.5m) construction contract.

Spitalfields is only yards away from the Broadgate office development, which houses many of the City's most important financial sector tenants.

Unusually, the corporation has agreed to sell its freehold interest in part of the Spitalfields site to ABN Amro. The Dutch bank was keen to own both the building and the site.

Mr Michael Cassidy, the chairman of the corporation's policy and resources committee, said the arrangement was a sign of how far the corporation was prepared to go to keep important tenants close to the City.

The price ABN is paying for the site was not revealed. However, the bank said that its total investment, before fitting-out the interior of the building, was likely to amount to £90m.

The 280,000 sq ft office block will be one of the largest construction projects undertaken in the City. Last year Deutsche Morgan Grenfell, the investment banking arm of Germany's largest bank, opted to build an equally large headquarters in the Square Mile rather than move to Canary Wharf.

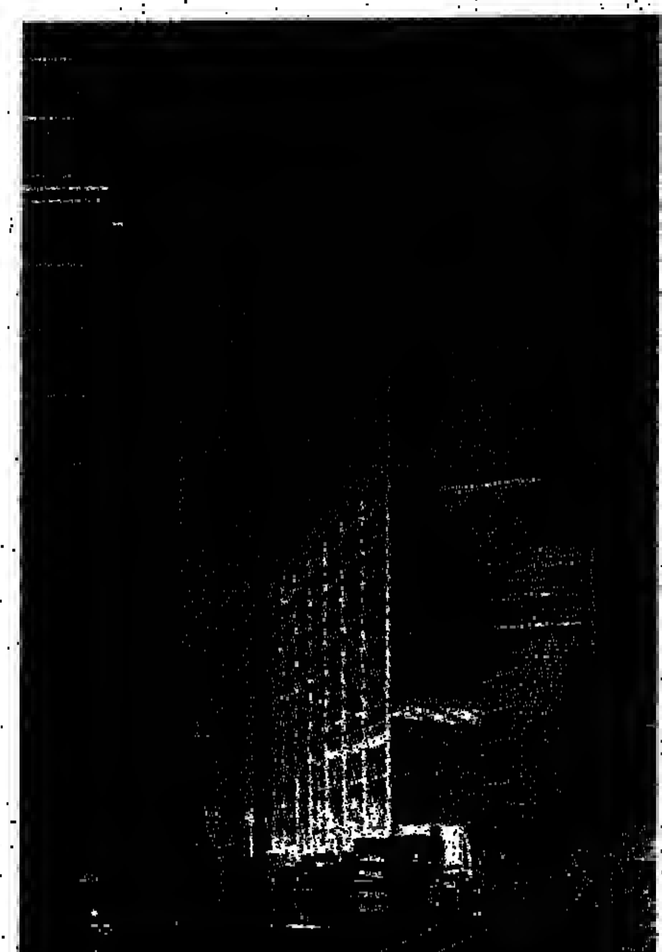
Earlier this month, however, Barclays de Zoete Wedd, the investment banking arm of Barclays, said it would move all of its City-based staff to Canary Wharf. Other large financial sector tenants in the docklands include Morgan Stanley, the US bank.

Mr Louis de Bièvre, head of ABN's investment banking business, said: "The view was that a continued presence in the City would strongly enhance our business."

The bank currently occupies three sites in the City, including two in Broadgate which house Hoare Govett, the stockbroker it acquired in 1992.

In addition to Canary Wharf, ABN considered building a headquarters on the site of the former Mirror Group offices at Holborn Circus, to the west of the City. The freehold of this site is also owned by the Corporation of London.

The Spitalfields building will be able to accommodate 2,500 staff, compared with ABN's current London staff of about 1,000. Mr de Bièvre said that ABN may expand its investment banking operations by the time the building is ready for occupation in 1998.



Going up: The planned ABN Ambro building in Spitalfields

"There is nothing on the drawing board but hardly a year has gone by in London without us making an acquisition of some kind," he said.

The developers will build 118 low-cost housing units and fund other local improvements as part of a package agreed with the local authority.

Simon London

NOTICE TO HOLDERS OF

Anacomp International N.V.
9% Convertible Subordinated Debentures
Due January 15, 1996

Pursuant to Section 602 of the Indenture (the "Indenture"; capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture) dated as of January 1, 1981 between Anacomp International N.V., as Issuer, Anacomp, Inc., as Guarantor and IBJ Schroder Bank & Trust Company, as Successor Trustee pursuant to which the 9% Convertible Subordinated Debentures Due January 15, 1996 of Anacomp International N.V. were issued, you are hereby notified that Events of Default have occurred and are continuing by virtue of (i) the filing by the Company and the Guarantor on January 5, 1996 of voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code and (ii) the default in the payment of the principal of the Debentures at their Maturity.

Inquiries concerning this ootice should be directed to either Nancy R. Bessé, Vice President (212) 858-2235, or Thomas J. Bogert, Assistant Vice President (212) 858-2736, Facsimile No. (212) 858-2952, IBJ Schroder Bank & Trust Company, One State Street, New York, New York 10004.

Very truly yours,
IBJ Schroder Bank & Trust Company,
as Successor Trustee

Dated: New York, New York
February 1, 1996

CONTRACTS & TENDERS

INVITATION TO TENDER
DATA PROCESSING INFRASTRUCTURE AND MANAGEMENT INFORMATION SYSTEMS FOR BTC Ltd.

The Bulgarian Telecommunications Company Ltd. (BTC) has secured financing towards the cost of a "Data Processing Infrastructure and Management Information Systems for BTC" and a "Digital Microwave Radio Network" through a loan of USD 30 millions from the IBRD (the World Bank).

It is intended that part of the proceeds of this loan will be applied to eligible payments under contracts for Corporate Data Processing Infrastructure, Management Information System and Financial Management System.

The main elements of the Bid Package are:

- Hardware and Software for BTC's Data Processing Infrastructure
- MIS Tool
- RDBMS for MIS
- Application UNIX Servers
- PCs
- PC Servers
- Terminals and Communication Network Products
- Financial Management System

BTC Ltd. now invites sealed Bids from eligible Bidders for the supply, installation and test hardware and software, and provide consultancy and training services. A complete set of Bidding Documents can be purchased upon payment of a nonrefundable fee of 350 USD (or equivalent) at the office stated below:

Bulgarian Telecommunications Company Ltd.
8,Totleben Blvd., room N 621, 1606 Sofia, Bulgaria,
Mr. B.Sokolov, Director "Information Technologies"
Tel: (+359 2) 951 6623, Fax: (+359 2) 492 0022,Telex 24 199

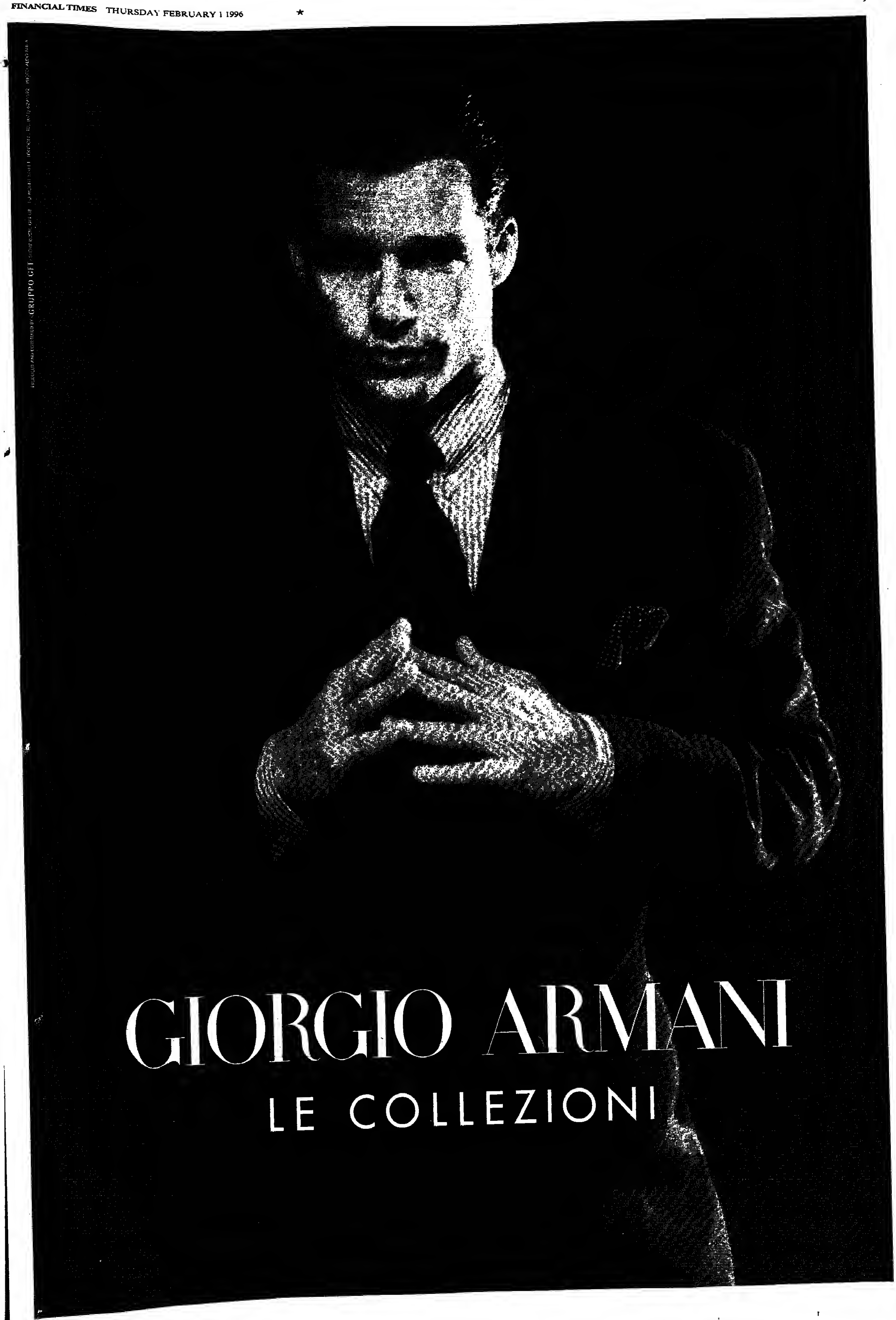
Bidding will be conducted through International competetive bidding procedure under the Guidelines for Procurement of the World Bank.

All Bids must be accompanied by a Bid Security of 2% of the Bid amount. For clarification of this Project, a Pre-Bid conference for registered bidders will be held by BTC in Sofia at 10:00 a.m. local time on 8 March 1996.

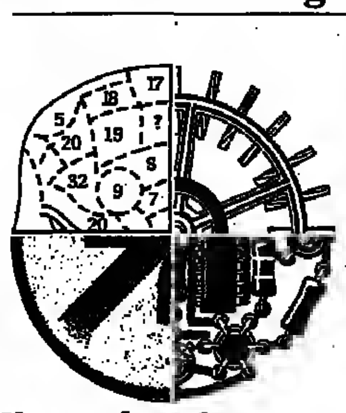
LEGAL NOTICES

COURT OF ROME
BANKRUPTCY SECTION

Bankruptcy no. 52748 of Immobiliare Frrancesca '81 s.r.l. At 12.30pm on 19.02.1996 the Official Receiver Dott.ssa De Virgiliis is to sell small building in Montalcino (Siana, Italy). Base price Lit. 536,000,000 and Lit. 15,000,000 for the furniture. 25% deposit by 1pm on 16.02.1996. Receiver Tel. +39 774 608677/608765


GIORGIO ARMANI
LE COLLEZIONI

Worth Watching · Vanessa Houlder



New colour for fire-free resin

Plastics made of phenolic resins have superb fire retardant qualities. The drawback has been the difficulty of disguising their unattractive sludge brown colour without compromising performance.

BP Chemicals has developed a method of colouring phenolic resins which it believes will open up many new applications. Its Cellobond Fibre Reinforced Plastic Colour is already being used for moulded panels on new London Underground trains. In fire tests it outperformed other matrix resins.

BP Chemicals, UK, tel (0)1446 731000; fax (0)1446 731245.

Tourist spots shoot own holiday snaps

The holiday photos sold at tourist spots are going digital. Kodak is marketing a photo print system to the owners and operators of tourist attractions.

The system uses no chemicals. It has a digital camera to shoot the picture, a touch-screen monitor to preview the image on screen and a printer. The purchaser can make corrections to the colour and contrast before printing out the picture.

The system, which takes up to 60 pictures and 34 images over an hour, costs £15,995 plus VAT.

Kodak: UK, tel (0)1442 61122; fax (0)1442 845113.

Suspect parcels kept in safe boxes

The delivery of a suspicious-looking parcel can cause enormous disruption to an organisation, even if it eventually proves to be entirely innocent.

Aigis, a Derby-based company that specialises in blast protection equipment, has designed a "suspect device isolation unit" – a safe-like box into which the suspect package can be locked and moved elsewhere to be examined or defused.

If the bomb explodes, the device greatly reduces the force of the blast. The box is lined with a porous, resin-bonded aggregate material which inhibits the passage of the shock wave by breaking down as it absorbs some of the blast energy.

The material is also used to protect off-road vehicles and trucks against landmines and to protect rooms containing sensitive apparatus such as computers against explosions.

Aigis: UK, tel (0)1335 370960; fax (0)1335 370947.

Best drug cocktail yet for fighting HIV

Researchers from Merck, the US pharmaceutical company, have released encouraging evidence for the effectiveness of triple drug combinations in fighting HIV, the Aids virus, *writes Clive Cookson.*

A mixture of two licensed Aids medicines from Glaxo Wellcome of the UK – AZT and 3TC – with Merck's experimental drug, indinavir, reduced levels of HIV to undetectable levels after four months treatment, in 24 out of 26 patients studied. Other combinations achieved good but less spectacular results.

Yesterday Merck applied to the US Food & Drug Administration for a drug licence for indinavir. It is likely to be the second of a new class of Aids drugs called protease inhibitors to reach the market. The first, Roche's saquinavir, was approved in the autumn.

Merck: US, tel 215 652 5000.

Hot moulding for thermoplastics

German researchers have developed a "hot moulding" technique for moulding thermoplastics, which they believe is simpler and cheaper than injection moulding.

The technique involves mixing ceramic powder with waxes and paraffins that melt at low temperatures. It is then warmed slightly and pressed into the mould at low pressure. After it has hardened, the binding agent is removed by evaporation. It is then fired at high temperatures.

Fraunhofer Institute for Ceramic Technologies: Germany: tel 3512553539; fax 3512553600.

Bitten: a 1984 ad for the Macintosh, which has now gained close to 22m users and thousands of retailers and consultants

Will Mac be orphaned?

Apple has the most loyal customers in the industry, says **Louise Kehoe**, but its future is uncertain

"I love my Mac," says Melanie King, a Silicon Valley software industry executive. "God, I hope that Apple survives!" Amid reports of Apple Computer's mounting problems and a possible takeover bid for the personal computer industry pioneer, King frets about what all this may mean for her "cool" Macintosh computer.

Her concerns are common among Macintosh users. Apple boasts the most loyal customers in the personal computer industry, but their faith is being put to the test by the uncertainties surrounding the company's future.

"Will the Macintosh be orphaned," they ask. In online discussion groups Mac fans express their fears of an Apple takeover: "It just would not be Apple," says one. "I think Sun [Microsystems] would ditch the Mac," warns another in response to reports that the computer workstation manufacturer is in talks with Apple. Then comes tha critical question: "Given all of the uncertainties, should I buy a new Macintosh?"

For computer buyers in search of a bargain, the answer may be yes. Apple's lower than expected sales in the quarter leading up to Christmas have left the company with $1.9bn (£1.2bn) of stocks, much of it in low-end Macintosh PCs which are now expected to be offered at steeply discounted prices.

Apple's widely acclaimed Macintosh software, the company's reputation for quality products, and the prospects of price cuts make the Apple Macintosh an attractive purchase. But will Apple customers be able to obtain service, parts and software for a Macintosh computer they buy today if the company falters?

Despite all of its problems, Apple is not going to disappear overnight. The company remains the world's third largest PC manufacturer, after Compaq Computer and International Business Machines, with sales of $11.1bn in its last fiscal year, ended September 30.

Moreover, with close to 22m Macintosh users worldwide and thousands of Macintosh retailers and consultants, it is highly unlikely that Apple will leave its customers without technical support or service, analysts say.

"The risk of Apple going out of business and leaving no one to support its products is almost zero," says Pieter Hartsook, editor of the Hartsook Letter, a computer industry newsletter.

Even if Apple is acquired by another computer company, the chances of today's Macintosh users being abandoned are remote. Apple's most valuable asset is its brand name – it is the most widely recognised PC manufacturer worldwide – so any buyer of the company can be expected to defend Apple's reputation among its customers, if only to preserve the value of its investment.

However, the continuing support of the Macintosh by software applications developers is less certain. Apple claims there are 1,400 "native" applications programs available for its latest Power Macintosh models, based on the PowerPC microprocessor chip jointly developed by Apple, Motorola and IBM.

Many more Macintosh application programs are under development, Apple says. Increasingly, however, software developers are giving priority to programs for standard PCs based on Intel microprocessor chips and Microsoft's Windows PC operating system software which account for more than 90 per cent of world sales.

One of Apple's biggest challenges now is to maintain the support of these software developers. Without them, the Macintosh could become the PC industry's equivalent of a Betamax, Sony's "non-standard" video tape player for which the supply of new recordings ran dry.

Corporate and college buyers of the Apple Macintosh face greater risks. Many have invested heavily in special purpose software for the computers. Others have installed computer networks to link desktop Apple products.

The Gartner Group, a US market research firm, has recommended that its corporate clients "buy with caution" if they already own Macintosh computers. However, new Macintosh buyers should evaluate purchases carefully, industry analysts say.

Already, however, there are signs that some of Apple's customers are switching to competing products. "We have picked up some Apple defectors," says Ted Waitt, chairman and chief executive of Gateway 2000, the fifth largest US PC manufacturer.

Large Macintosh orders from at least two US school districts have been put on hold, competitors say. In Europe, similarly, Apple's corporate sales are believed to have slowed over the past few days.

Meanwhile Apple's efforts to stem the tide are tinged with irony. In his open letter to Apple customers, published in several newspapers, Michael Spindler, chief executive, invokes an old Apple theme: "Apple Forever".

Long-time Apple observers may recall, however, similar incantations when the old Apple II product line was being phased out a decade ago. At that time Apple adopted the motto "Apple II forever" to reassure users that the Macintosh would not make their computers obsolete.

The Apple II is long since gone and so is much of the euphoria that surrounded the launch of Apple's Macintosh in 1984. Nothing, it seems, is forever, perhaps not even Apple Computer.

Solar polar study

Later this month the Western Space and Missile Centre in California will launch a mission to study the hottest and windiest layer of the earth's atmosphere.

For three years, the US Polar satellite will study the solar wind – the high energy particles emitted by the sun – above the polar regions in the upper atmosphere. The spacecraft will travel in an orbit between 11,000km and 57,000km from the earth, through temperatures of up to 2,500°C and through wind speeds that can exceed hundreds of metres per second.

Scientists hope this work will produce new insights into solar storms, which release particles and radiation that bombard the earth. These storms create the curtains of light known as the Northern and Southern lights, cause damage to the electronics on spacecraft and can disrupt radio communications and power supplies on earth. In 1989, for example, fluctuating magnetic fields caused by an explosion on the sun blacked out power across Quebec.

The instruments on the spacecraft will allow scientists to determine which of the energetic particles are part of the solar wind and which originate in the earth's ionosphere. The instruments can distinguish oxygen ions from the solar wind since they are much more highly charged than the ions produced in the ionosphere.

The results of the Polar mission will be compared with results from the European Space Agency's four Cluster spacecraft (which will be launched this summer) and with ground-based observations made by the British Antarctic Survey. The survey is currently setting up instruments in Antarctica that will take continuous measurements to complement those of the Polar satellite.

The Polar satellite is part of the International Solar-Terrestrial Physics programme which is investigating how the sun and earth interact.

Vanessa Houlder

ARTS

LES MISERABLES (12)
Claude Lelouch

KATIA ISMAILOVA (18)
Valerii Todorovsky

FATHER OF THE BRIDE PART II (PG)
Charles Shyer and Nancy Meyers

Jean-Paul Belmondo (far right), a human force-field in Claude Lelouch's updated version of 'Les Misérables', set in the 20th century

Cinema/Nigel Andrews

Jump on the classic bandwagon

Claude Lelouch's *Les Misérables* and Valerii Todorovsky's *Katia Ismailova* are both based on texts so regularly adapted before that we marvel there is anything left to adapt. *Les Mis* has been a book, a play, ten movies and a musical. Nikolai Leskov's story *The Lady Macbeth Of The Mtsensk District*, which inspired Todorovsky's updated drama of passion and murder, has given us three films and a Shostakovich opera.

In Hollywood they would refer to the two Ms, *Mis* and *Mtsensk*, as "franchises": properties so productive that they spawn sequels and megadollars. Europe usually likes to be above such vulgar thinking, but Lelouch's Victor Hugo transposition, as one discovers over three hours, is not really above anything. The onetime director of *Un Homme Et Une Femme*, which reprocessed the French New Wave into pink-tinted surf for Anouk Aimée and Jean-Louis Trintignant as the slow-motion lovers, turns Hugo's tale into star-packed, passion-packed epic. Proving its transatlantic appeal, the movie won the Golden Globe award for best foreign film.

On this side of the ocean, filmgoers may be more sceptical. Lelouch takes Hugo's Valjean, the ex-convict who trod his times becoming avenger, reconciler and man of wealth, and transports him to the 20th century to split him in two. Jean-Paul Belmondo plays Henri Fortin *père*, who dies in jail after being interned for a crime he never committed, while Belmondo also plays his son, by turn a boxer, removal driver and soldier of fortune in the second world war.

Fortin junior aids both the Nazis and the Resistance and is on hand to help the Normandy landings. He spends his few peaceful hours reading and re-imagining *Les Mis* – dramatised in gobbits by Lelouch with Belmondo tripling as Valjean – while we are invited to note the parallels between then and now. The veteran French star's bruised magnetism and monkeyish grin, swirled about by the music of Francis *Un Homme Et Une Femme* Lai, do more than anything give the film weight and depth. He creates a human force-field where none is really provided by the script or direction.

The film's secondary plot concerns a Fortin-assisted Jewish couple (Michel Boujenah, Alessandra Martines) who are harassed and divided by the Nazi persecution. She goes to Auschwitz while he is sheltered by a greedy farming couple, played with pantomime relish by Annie Girardot and Philippe Leotard.

In both cases we suspect that a happy ending will be engineered. For here as in previous Lelouch-works with a sweeping time span – *Toute Une Vie*, *Partir Revenir* – history and suffering end up as little more than different centres in the great chocolate-box assortment of Life. However crunchy some scenes or setbacks, the consumer is never in danger of cracking a tooth, let alone a heart.

Lelouch updated the novel, he says, in the belief that the 20th century's "miseries" are a match for those of the 18th or 19th. No quarrel with that. But even Hugo, with his tendency to favour melodrama over tragedy, never reduced human suffering to quite so relentless a series of picture-pretty tableaux – even Pa Fortin's snowbound jail resembles a Christmas card – and manipulative sentimental frissons.

★

Katia Ismailova stands back to let passion and murder speak for themselves. The heroine, played as an enigma with variations by the palely beautiful Ingeborga Dapkounaite, causes four deaths among her nearest and dearest. A stroke is assisted by her failure to fetch pills. A violent murder is committed while she stands by and abets. Two deaths by drowning wind up the final reel.

Bravely, the director yields us no ready check-list of her motives and emotions. Does she love her husband (Aleksandr Feklistov)? Does she love or respect his novelist mother (Alusa Freindlikh), whose works she thumps out on a noisy typewriter? Probably not. Even her romance with the handsome, stubble-jawed carpenter (Vladimir Mashkov) who is working on her mother-in-law's dacha is presented as the exact opposite of "falling in love": more a rising in lust. Inflamed at her work table by his first nuzzling half-kiss, she raises her rapture-stiffened body to sit on the open window sill's edge, where with sharp breath and closed eyes he completes his attentions.

At times the gnomic tone is frustrating. Some emphasis and inflection might have helped, in sharpening the other characters' outlines if not the mysterious Katia's. The film, like the dacha, feels barely furnished. And when Todorovsky throws in some token wreaths of Gothic mist for a midnight burial scene, we giggle at the incongruity. Out of Russian existentialism into Hammer horror? A movie which dares to portray affectlessness should not surrender to cheap effect; though it might do more elsewhere to find its own metaphorical language for the voids it explores in human feeling.

★

Father Of The Bride Part II ends the week in a blaze of winsome clarity, sans subtitles or subtleties. Steve Martin and Diane Keaton still live in that white house on Wedding Cake Avenue, USA. Daughter Annie (Kimberley Williams), who took so long to get married in part one, takes even longer to have her first child in part two. Keaton herself gets sympathetically pregnant. And that crazy party-catering fellow Frank – pronounced Fraank – is still played by Martin Short with *buffa* accent, bouffant hair and dialogue that it may be a mercy we cannot understand.

We understand everyone else's. It runs to tooth-rotting stuff like "Ohh Mohhm", "Ohh Daahhd", "Ohh Annie" and "Dr Eisenberg, these women are my *life*!" (Steve Martin to hospital midwife).

No wonder Martin at another point exclaims, "Hey, what are we, the Schmaltz family?" Yes, in a word. And your adoptive writer-directors Charles Shyer and Nancy Meyers need to spend several months at the de-tosh clinic before giving us the next instalment in this Disney confetti saga.

Chances of brain-survival are brighter at the Barbican or National Film Theatre. The first mounts a season of new Australian cinema, showing that there is more in that country where *The Piano*, *Strictly Ballroom* and *Priscilla Queen Of The Desert* came from. And the NFT launches a welcome, month-long season devoted to women directors. As so much man-directed American cinema is subsiding giggling into the Pacific as we speak, it may be time we gave a bigger chance to talents – on show here – like Kathryn Bigelow (*Strange Days*), Rose Troche (*Go Fish*) and Darnell Martin (*I Like It Like That*).

Theatre/Alastair Macaulay

Déjà vu in 'Les Enfants du Paradis'

Should you make a play of a classic film? The Royal Shakespeare Company's new staging of *Les Enfants du Paradis* involves a hefty amount of hubris, for, at almost every moment, it reminds us of the much-loved 1945 French film, directed by Marcel Carné and written by Jacques Prévert. At four hours, this stage version is too long. Some of its casting and staging do not work. Nonetheless, most of the time the play reminds you happily of the film. Better, it probably works delightfully for those who do not know the film. Best, it occasionally exerts a life of its own powerful enough to help even those of us who have seen the film a few times to suspend our memories.

Les Enfants du Paradis is the quintessence of high romance. Set in the Paris of 1820-40 that Balzac often penned, it is about the overlapping loves of folk who work in various forms of theatre. Garance – a Bohemian beauty with her own sure sense of honour, very much like Esmeralda in Hugo's *Notre Dame de Paris* – is loved by four wholly dissimilar men, two of whom are prepared to kill to remove a rival. Baptiste Duburau is the lovelorn and transcendentally expressive Pierrot who loves her and whom she loves; but fate sunders them, time and again.

Simon Callow, who has adapted and directed this version, quite rightly emphasises its staginess. Stagehands are visible, sometimes manipulating onstage spotlights. Robin Don has designed a hollow three-storey framework – turning and tilting on its raked stage like the revolving set of Pisa – which is transformed into a theatre, a bedroom, a different theatre, a dressing-room, a café... Christopher Woods's costumes exquisitely reproduce the look of each character from the film, and include a thrilling ruby gown which Garance wears on her return to Paris after eight years. Callow's English text is sometimes too prosaic (Frederick's signature line about Paris and lovers is, in French, an Alexandrine) and sometimes hammy.

John White has composed some excellent "busy" music for certain scene-changes, and the Garance-Baptiste affair is characterised by music reminiscent of the best part of the lovers' music in Kachaturian's *Spartacus*. Other passages, however, are anachronistic (a tango in the café) or woefully intrusive.

Three performances are, in contrasting ways, entrancing. Helen McCrory has never been more beautiful than as Garance; and she finds a telling combination of dignity and Bohemian directness. Joseph Fiennes is marvellously theatrical as the sly and sardonic assassin Lacenaire. And James Purefoy as the actor Frederick Lemaître creates a debonair actorly charm that in no way apes Pierre Brasseur's. The production, by the way, is dedicated by the RSC to the memory of Robert Stephens, "the Frederick Lemaître of his day".

Who could efface memories of Jean Louis Barrault as Baptiste? Rupert Graves's stubborn and ambitious naughty boy with South London vowels will not do. He has not the high-Romantic intensity of feeling that is Baptiste's. At the end – where in the movie Baptiste seems to die of suffocation and despair amid the crowd, like *Petrushka* – Graves is lifted by the carnival revellers as he yells "Garance!" lustily, several times. (Photographs of her face are blown up behind him: a bad mistake.) To make matters worse, Sylvestra Le Touzel, a sometimes excellent actress who here reverts to a most hammy pushiness, wholly misses the delicacy of feeling of Baptiste's wife Nathalie in her final scene. And it is Maria Casarès in this role that I miss most from the movie.

Several of the small roles are missed too, but Maggie Wells as Mme Hermine and James Faulkner as Avril make strong, funny, impressions. Perhaps cuts should be made – but in truth I regretted the few that *have* been made. In a *Nicholas Nickleby* sort of way, this anglicised *Les Enfants du Paradis* is vivid theatre. Its plunge into romance is a rare treat.

In repertory at the Barbican Theatre until March 16 (0171-638 8891).

Helen McCrory: Bohemian beauty as Garance
Alastair Muir

Opera

Samson et Dalila

As the financial cuts bite, the Royal Opera will presumably resort to cancelling new productions. Two have already gone this season, including Massenet's rarely-performed *Hérodiade*, a grand opera that combines sex and religion to sensual music reeking of a perfume that could only be French.

Saint-Saëns's *Samson et Dalila* meets most of that description too, which is probably why it was brought in as the replacement. The biblical setting, sultry Mid-Eastern afternoons where the sun beats down and the air hangs heavy, is very nearly identical – ironic really, as the official reason why the Massenat was cancelled was that the sets from Vienna did not fit.

Sidney Nolan's designs for the Saint-Saëns remain both one of the most visually inspiring Royal Opera stagings from the 1980s and the most familiar. Nolan's use of colour is an object-lesson in creating atmosphere from a broad brush-stroke, even if the flooding of the deep red spotlight at this revival rather washes away his subtleties.

The opera depends almost wholly on its leading couple and it helps if Samson can be a tower of strength, metaphorically at least. The Argentinian tenor José Cura threw himself into the scenes of humiliation at the end with reckless abandon and from a distance looks a bit like Sylvester Stallone, so his bare-handed destruction of the temple carried conviction. His voice is bright, strong when needed, well-focused, a promising Italianate tenor which is sounding better with each role he sings. What it lacks is depth of tone in softer, lyrical passages, though he found one answer to that when he uttered a tenderly muffled "Je t'aime" with his nose buried in Dalila's bosom.

Dolora Zajick, who was announced for the role, has withdrawn due to illness and her place has been taken by the Greek mezzo Markella Hatziano. Deep and dignified of voice, she makes a Dalila who is regally self-composed, confident of getting Samson's locks wound round her little finger. In the first act she gives the impression of keeping a tiger of a voice locked in its cage. In Dalila's big second act she lets it out occasionally to magnificent effect (the sound is grand, unhurried, rich in colour), but still husbands her resources carefully. For all the sense of latent power, there is not much electricity being created inside the character.

There was not much crackle of sexual energy between the two of them in the love duet and the conductor, Jacques Delacôte, might have helped by speeding the music along a little. Elsewhere, his elegant blend of orchestral sonorities brings a stylish Gallic input to the performance. Gregory Yurisich delivers the High Priest's curses with unstinting strength. Robert Lloyd brings sensitivity to the French style and language in the role of the old Hebrew. In sum, the revival is good enough for the many empty seats at the first night to be filled later.

Richard Fairman

Further performances until February 15.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Gustav Leonhardt: the harpsichord-player/organist performs works by Purcell, Gibbons, Tomkins, Locke, Blow, Croft and Randall; 8.15pm; Feb 5
● Schoenberg Kwartet: with baritone Romain Bischoff perform Schoeck's Notturno, Hindemith's String Quartet No.3 and Shostakovich's String Quartet No.11 in F minor, Op.22; 8.15pm; Feb 3

■ BERLIN

CONCERT
Staatsoper unter den Linden
Tel: 49-30-2082861
● L'Opera seria: by Gassmann. Conducted by René Jacobs and performed by the Staatsoper unter den Linden. Soloists include Laura Aikin, Dorothea Röschmann, Bernd Zettisch and Klaus Häger; 7pm; Feb 1, 3
OPERA
Komische Oper Tel: 49-30-202600
● The Legend of Tsar Saltan: by Rimsky-Korsakov. Conducted by Michail Jurowski and performed by the Komische Oper Berlin. Soloists include Passow, Bach-Röhr and Sternberger; 6pm; Feb 3, 4 (11am)

■ BOLOGNA

CONCERT
Teatro Comunale di Bologna
Tel: 39-51-529999
● Mzia Simonishvili: the pianist performs Beethoven's Sonata Op.31 No.2, Liszt's Mephisto Waltzer, Mozart's Fantasia KV 397 and Prokofiev's Sonata No.2 Op.14; 9pm; Feb 5

■ CANBERRA

EXHIBITION
National Gallery of Australia
Tel: 61-6-240-6411
● The Vision of Kings: Art and Experience in India: exhibition of sculptures, paintings and other related works of art created over a period of 2,000 years for Hindu, Buddhist, Jain and Muslim patrons. Central to the creation of art in India was the vision of the kings who were the main (though not exclusive) patrons of Indian art until the modern period. The display includes some 100 works from Indian, Australian, European and American collections; to Feb 4

■ CHICAGO

EXHIBITION
Museum of Contemporary Art
Tel: 1-312-280-2660
● Andres Serrano: Works 1983-1993: the first major mid-career retrospective of Serrano's large-scale Cibachrome photographs, featuring more than 50 works created during the last 10 years. Serrano's work often examines controversial subjects such as religion, racism, homelessness and death; to Feb 4

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Sleeping Beauty: a choreography by Petipa/Tomasson to music by Tchaikovsky, performed by the Royal Danish Ballet. Soloists include Silja Schandorff and Aage Thordal Christensen (Feb 1, 3), and Caroline Cavallo and Jean-Lucien Massot (Feb 8, 10, 12); 8pm; Feb 1, 3, 8, 10, 12

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art
Tel: 353-1-6718666
● Images of Solidarity - Re-examined: this exhibition sets out to examine the question of how photographic images communicate and how the context in which they are placed influences that communication. The display is based on a set of photographs taken by Irish people on work brigades in Nicaragua in the late 1980s and on public reaction to them when they were originally exhibited in 1991. The exhibition begins with the original images and then takes the viewer through a series of installations which reveal how the preconceived ideas of both the photographer and the viewer condition the reading and, ultimately, the meaning of the work; to Feb 4

■ DUSSELDORF

CONCERT
Tonhalle Düsseldorf
Tel: 49-211-8992081
● Royal Philharmonic Orchestra: with conductor Dirk Joeres perform works by Gade, R. Schumann and Brahms; 8pm; Feb 3

■ HANOVER

EXHIBITION
Sprengel Museum
Tel: 49-511-1683875
● Allan McCollum; Natural Copies: exhibition of more than 800 objects created and collected by Allan McCollum for his projects The Dog from Pompei, Lost Objects, and Natural Copies from the Coal Mines of Central Utah; to Feb 4

■ LONDON

OPERA
London Coliseum
Tel: 44-171-8360111
● Les Pêcheurs de Perles: by Bizet (in English). Conducted by Emmanuel Joel (Feb 3) and Michael Lloyd (Feb 7) and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 6.30pm; Feb 3, 7 (7.30pm)

■ METZ

DANCE
L'Arsenal Tel: 33-87 39 92 00
● Nuit: a choreography for nine dancers by Mathilde Monnier, performed by the Centre Chorégraphique de Montpellier; 8.30pm; Feb 2

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● St Petersburg Philharmonic Orchestra: with conductor Yuri Temirkanov and violinist Pamela Frank perform Bruch's Violin Concerto No.1 in G minor, Slonimsky's St Petersburg's Visions, and Mahler's Symphony No.1 in D major (Titan); 8pm; Feb 5
New York Public Library for the Performing Arts - Bruno Walter Auditorium Tel: 1-212-870-1721
● Douglas Riva: the pianist pays tribute to the Spanish composer and pianist Enrique Granados; 3pm; Feb 2
DANCE
New York State Theater
Tel: 1-212-875-5570
● New York City Ballet: perform the choreographies Divertimento No. 15, by Balanchine to music by Mozart, Opus 19/The Dreamer, by Robbins to music by Prokofiev, Glazounov Pas de Deux, by Watson to music by Glazunov, and Symphony in Three Movements, by Balanchine to music by Stravinsky; 8pm; Feb 2

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Jean-Philippe Lafont: recital by the baritone. The programme includes works by Handel, Gluck, Mendelssohn, Mozart, Mahler, Fauré, Duparc, Schubert and Poulenc; 8.30pm; Feb 5
EXHIBITION
Fondation Cartier pour l'Art Contemporain
Tel: 33-1 42 18 56 50
● By Night: exhibition devoted to the night and the way it has inspired painters, photographers, video and film makers. The display includes works by Edouard Vuillard, Félix Vallotton, Otto Dix, Weegee, Robert Frank, Pierre Molinier, Cindy Sherman, Wolfgang Tillmans, Felix Gonzalez Torres and others; from Feb 2 to May 19

■ SAN FRANCISCO

EXHIBITION
MOMA - Museum of Modern Art
Tel: 1-415-357-4000
● An Everyday Modernism: The Houses of William Wurster: drawings, models and photographs explore the 50-year career of the Bay Area architect. Wurster's homes, both urban and suburban, embody his principles of simplicity and economy, at the same time that they respond to environmental conditions. Wuster joined forces with landscape architect Thomas Church to create living environments that reflected the conditions of northern California; to Feb 4

■ WASHINGTON

OPERA
Eisenhower Theater
Tel: 1-202-467 4600
● Il Barbiere di Siviglia: by Rossini. Conducted by Heinz Fricke and performed by the Washington Opera. Soloists include Michael Chioldi, Vivica Genaux and Brian Nedvin; 7.30pm; Feb 3, 6

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Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Economic Viewpoint · Samuel Brittan

The snares of stakeholding

Managers who are theoretically responsible to workers, suppliers, customers and the general public are in practice accountable to no-one in particular

When Tony Blair, the leader of the opposition, embraced the stakeholder concept in his recent speech in Singapore, the Conservative government characteristically could not make up its mind how to respond. Some of the press briefings denounced the idea as socialism or corporatism or a return to trade union power. But others said that the Conservatives already embraced the stakeholder idea and that there was nothing new in Mr Blair's speech.

Both responses are wrong. The stakeholder idea of the company is not the same as trade union power. Nor is it the same as corporatism, which is mainly used for the tripartite setting of economic policy by central bodies of unions, employers and governments. And anyone can say platitudinously that every citizen in a democratic country should have a stake in national prosperity; or more tendentiously that if they do not have a stake they will riot. If used too loosely, this useful word will go the way of "democracy", "community" and others, and degenerate into a meaningless soundbite.

But the expression stakeholder has acquired a much more definite meaning in recent discussions of how corporations ought to be governed. The stakeholder theory is offered by its exponents as an alternative to the traditional view that companies should be run in the interests of their shareholders. It is because the word stakeholder has become controversial enough to antagonise some chief executives that the recent study on the future of the company by the Royal Society of Arts tried to broaden the duties of directors without mentioning the dreaded "s" word.

According to corporate practice, the rights of ownership belong to those who enjoy the residual gains, or bear the residual losses, of a corporation, when all contractual payments have been made. In most corporations, this residual belongs to those who put up capital on other than fixed interest terms.

But it does not have to be like that. The worker-owned business is probably rarer than the consumer co-operative, but where it has succeeded it has achieved more noteworthy results. In the US Employee Share Ownership Plans, the equity is owned by the workers. This also applies to a select band of British companies, the best-known of which is the John Lewis Partnership, the retailing group. Internationally the best-known example is the Mondragon group of enterprises based in the Basque region of Spain.

There are good reasons why those who put up capital should usually employ the workers rather than the other way round. There is room for experiment with more diversified forms of ownership, but it is probably too difficult under British conventions for a public company to transform itself into an employee-owned one even if the shareholders are willing to be bought out. Most of the existing employee-owned businesses were originally family companies with owners who did not wish to leave them to their descendants.

But whoever owns the equity, the role of the management is clear: it is to maximise the value of that equity. It is the object of the law, unwritten rules and public policy to ensure that their efforts to do so benefit the wider public. There is also usually enough uncertainty about what will maximise long-term profits to justify many different approaches to the treatment of workers, customers, suppliers and others. Capitalism will not collapse if a business tries to produce a pleasant working environment or provides a playing field at the back of the establishment.

The economic argument for profit maximisation is that companies will prosper *in a competitive market* if they supply services for which there is a national or international demand and supply them at the lowest cost. The resulting growth of prosperity brings greater gain to workers and customers than more nebulous and unenforceable goals.

Adam Smith made the famous remark about not depending on the benevolence of the baker for our daily bread. He also said that little good came of businessmen who professed to trade in the public interest. Motivation apart, businessmen do not have the *knowledge* to advance the public interest directly and will serve their fellows best if they concentrate on maximising their shareholders' equity rather than on promoting exports, combating global warming or solving political problems.

There has been a long discussion in business economics of the "principal-agent problem". This concerns how to make the professional manager act in the interests of the ultimate owners. The threat of takeover is a crude enforcement mechanism, but one which is hard to improve.

The stakeholder approach is simply to dissolve this problem in a general mushiness. Everyone is supposed to promote the interests of everyone else and no-one is really accountable for anything. Management is theoretically responsible not only to shareholders or even to workers, but to suppliers, customers and the public at large. This has no operational meaning. In practice it is simply a charter for management to do what it likes without accountability to the owners of the business. Managers will try to get away with this, but fortunately they rarely can.

There are too many romantic notions about how businesses are run in the German-speaking countries. As a Financial Times reader, David Morgan, remarked in a letter from Switzerland published on January 24: "It is a warm, comforting notion [that] the chief executive who stands before his shareholders [could] justify a big training initiative without being able to say that he believes it will lead to profit now or in the future. I am quite sure that chief executive would last no longer in Switzerland than in the UK, and rightly so."

The advantage of a traditional company is that there is a specific goal for which its managers are held accountable. As Elaine Sternberg, the business consultant, has said, the "socially responsible" business is a loose cannon and a menace to itself and others (*Just Business*, Little, Brown, 1995).

According to a study in support of stakeholding by John Kay and Aubrey Silberston (NIESR Review, August 1995), a stakeholder corporation would have the task of "promoting the business of a company and to balance the claims of investors, suppliers and employees". But they do not explain how a stakeholder corporation would take the essential business decisions of deciding which product and services to make, for which markets and by what methods, what to charge customers and how to raise any extra capital that it needs.

There is also a deliberate ambiguity about the pronouncements of stakeholder theorists. Such theorists say that managements should look beyond the bottom line and mere financial return. On the other hand, they are quick to tell their opponents that companies which adopt the practices of which they approve will also be more prosperous. It is like the old Welsh preacher who waxed eloquent about the moral virtues of honesty, adding just before he left the pulpit that it also paid.

The core argument against stakeholding is not one of economics but of psychology and motivation. Someone who is theoretically responsible to everyone for everything is in practice not responsible to anyone for anything. People function best if they have specific responsibilities for which they are held accountable by means which are transparent, verifiable and respect the realities of human nature.

FOREIGN BODY – THE SECRET LIFE OF MAXWELL: By Russell Davies
Bloomsbury, £14.99

MAXWELL – THE FINAL VERDICT: By Tom Bower
HarperCollins, £16.99

The difficult search for a chameleon

When alive, the publisher Robert Maxwell tried to obstruct any attempt to investigate his life. Even after his death, any account faces problems.

One is the desire of those involved in the collapsed empire to portray themselves in the best light. A second is that some of the most colourful anecdotes are already well known. There is, for example, the story – perhaps apocryphal but ubiquitous – of Maxwell urinating from the roof of the Daily Mirror building, mocking the people below because "they don't even know someone is pissing on them".

A third, the most troublesome, is the nature of his life. Faced with an obstruction, his instinct was to change subject, travel to another country, even change what he was wearing. Neither Bower nor Davies portray him as mad, but the discontinuity which he found so convenient, and which created the confusion that enabled his empire to accumulate £4bn of debt, makes a chronicle of his life hard to tell.

Davies chooses to focus on one question: how Maxwell died. His conclusion, murder, leads him into an account of Maxwell's "secret life" – the foreign diplomacy, the links with the Soviet Union, Bulgaria and Israel, the contacts with the Soviet and British intelligence services which led to repeated accusations of spying and arms dealing.

But he has little more to go on than other writers in these murky realms. He argues in a compelling last chapter that the murder theory leaves fewer forensic loose ends than other explanations. This requires him to explain who might have wanted Maxwell dead and how they would have got onto Maxwell's boat in mid-Atlantic. Davies' answer that any of Maxwell's foreign contacts could have wanted him dead is, in the end, unconvincing.

For all Maxwell's self-aggrandisement, it was money and finance rather than his compulsive quasi-diplomacy that dominated his life, particularly in the last two years. And to his creditors, he was, without doubt, worth more alive than dead.

However, doubts about the central thesis should not deter readers from this thoughtful and witty account of Maxwell's life. Davies quotes the publisher's advice to his son: "Remember a listener is always more appreciated than a talker and avoid boasting."

He gives Maxwell credit for founding The European newspaper: "Maxwell knew more about Europe than the British customarily wanted to know."

He is particularly perceptive about Maxwell's infantile disposition. Describing his rage about "why my parents went to their death without a complaint," Davies observes: "What complaint could Maxwell have expected his parents, or any other Holocaust victim, to register, in the face of the Nazis' military-industrial programme of homicide?"

He adds: "His [Maxwell's] emotions were uncontrollable on the subject of the Holocaust; and as Elizabeth Maxwell's book makes clear, he treated his wife, during their last years together, uncontrollably badly. Both sets of behaviour, as she knew, had the same psychological root."

In the end, did he treat himself that way? The theory of suicide is rejected by most writers who knew Maxwell as being against the nature of the man. Yet that conclusion is not incompatible with the portrait Davies draws.

Tom Bower sets himself on a different enterprise. Before Maxwell's death, he battled to produce his triumphant biography, *Maxwell the Outsider*, against ferocious legal obstacles thrown up by his subject. His latest investigation concentrates on reconstructing the last year of Maxwell's life.

In doing so, it has provided an outstanding indictment, conversation by conversation, signature by signature, of the behaviour of some of the financial community and the directors who took the Maxwell shilling. Bower has meticulously reconstructed these transactions and answers many past puzzles – such as how Maxwell mysteriously produced earnings of £80.7m from foreign currency trading in the 1991 accounts.

The book is not an easy read. It is dense; indeed, it is the closest experience most members of the public will have to being a member of the jury in the recent Maxwell trial. In his preface, Bower warns that "proper journalism ... is often complicated to read, unentertaining and inconclusive".

He has a fondness for cliché – "emotions raged across the courtroom" while "the ghost of Robert Maxwell bellowed in laughter". There is also a tendency to bland generalisation: "The theatricality, the egocentricity and the vanity of the man were unsurpassed."

And those who are searching to understand Maxwell's emotions may find it frustrating. Bower warns that "those who attempted to understand his psychology invariably failed, because both his motives and his reasoning were unique". It is hard to discern, for example, whether Maxwell was afraid, either of being found out or of his empire collapsing.

But those considerations aside, Bower's latest investigation, like his first, is a valuable and impressive record of the anatomy of one of the most dramatic corporate collapses this century.

LETTERS TO THE EDITOR

Number One, Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

IMF should sustain support of Russian recovery

From Professor Padma Desai.

Sir, In "Russia steps backwards" (January 26), you raise legitimate concern about the continuation of the 1995 "macroeconomic reins" in view of the increased budgetary outlays announced by President Yeltsin for payment of overdue wages and salaries to government employees and increased pensions.

The problem is even more acute because the president has sanctioned more allocations for rebuilding war-ravaged Chechnya than than allowed in the 1996 budget. The projected revenues of the budget are also as problematic as the anticipated increases in outlays. Revenue from the sale to investors of government stock in Russia's 20,000 large factories on the "federal list", expected to raise up to $3bn for the 1995 budget, will certainly fall short. The Communists and agrarians in the pre-election Duma had opposed the programme in June 1994. The new Duma, with its increased strength, can be expected to be more intransigent.

The 1996 targets adopted by the previous Duma of a monthly inflation rate of 1.9 per cent and a projected budget deficit of 3.9 per cent of gross domestic product are then in jeopardy. The options facing the International Monetary Fund, which is negotiating a $9bn credit with the Russian government, are the following:

- Stick to the 1996 inflation and budget deficit targets and the promised support;
- revise these targets down as unrealistic;
- maintain the targets but increase the support temporarily to offset the added budgetary shortfall.

The first option is likely to force the Russian government into abandoning monetary and fiscal discipline as a political necessity, reversing the steady stabilisation gains of 1995. The second option sends the wrong signal that the IMF is willing to give up on these gains.

The third option seems to offer the wisest course. Under the IMF's persistent prodding and strict monitoring, the economy's management has changed from bureaucratic controls to market-type instruments. Most prices are free, the quantitative trade restrictions have been done away with, the export taxes have been removed, and energy prices are moving closer to world levels. The inflation rate has steadily come down from 2,600 per cent in 1992 to 873 per cent in 1993, 335 per cent in 1994 and an estimated 120 per cent to 130 per cent in 1995. Surely it is advisable for the IMF to remain engaged in the process and to push it forward by financially supporting the fulfilment of the 1996 macroeconomic targets especially at a time when the Russian economy is showing signs of recovery.

Padma Desai,
professor of economics,
Columbia University,
New York, NY 10027,
US

Eximbank not competing

From Mr Martin A. Kamarck.

Sir, Re your article "Eximbank setback over $1bn Gulf loan" (January 29), I want to set the record straight on the Equate project. The Export-Import Bank only provides financing thet the private sector cannot, or where foreign governments are providing subsidised financing for their exporters. We do not compete with private-sector financing. That is our Congressional mandate.

For the Equate project, we learned very late in the game that financing has become available from private-sector banks in the Gulf region and the US.

It is fine with us that the private sector is working as it is supposed to. That is the right result. It is always a winning combination when US exports occur and American workers benefit without using taxpayer dollars.

Martin A Kamarck,
chairman, acting,
Export-Import Bank,
811 Vermont Avenue, NW,
Washington DC 20571,
US

All-party talks on election best

From Mr John Farago.

Sir, The ballot box is obviously better than the gun ("Better the ballot box", January 30) in Northern Ireland as elsewhere. Sinn Féin and other nationalist politicians would gain credibility and strength if their negotiators were backed by popular vote rather than by the threat of resumption of violence or even by declarations of continuing non-violence.

But the nationalist community cannot be expected to have confidence in an electoral process, suddenly announced, if the timing, format and rules are to be determined solely by the British government with unionist politicians breathing heavily over their shoulders.

Would it not be more sensible to call all-party talks now with the primary purpose of agreeing when and how an election to a negotiating convention should be held?

Until unionists are given some power and responsibility through some form of election process, they are unlikely to do anything other than say no.

John Farago,
121 Church Road,
London SW19 5AH

Reconciling the political aim of Emu with reality

From Mr Adolf Rosenstock.

Sir, There is only one Emu entry criterion that is strict, binding and feared – the 3 per cent fiscal deficit to gross domestic product ratio. By 1997 no country larger than Luxembourg, Denmark, Ireland and Finland will achieve this. Germany's deficits are likely to grow from 3.6 per cent in 1995 to 4 per cent this year. By 1997, a small decline is possible, but the 3 per cent hurdle seems insurmountable.

One way to reconcile the political objective of Emu with reality is to relinquish this criterion – not a viable course for the German government.

According to the preamble to the ratification law, the German government's vote in the EU council on the entry into Emu requires the approval of the Bundestag and Bundesrat (upper house) after appropriate evaluation.

The Constitutional Court in October 1993 restricted the interpretation and enactment of the Maastricht treaty:

- Ratification of the treaty does not mean that the country subjects itself to any automatism leading to Emu. The time schedule is not legally enforceable.
- The preamble is fully valid.
- Powers of the Bundesbank can only be delegated to a European central bank if the priority of price stability is clearly established.
- The Emu entry criteria cannot be softened.
- Should the country enter Emu and this destabilise prices later, the government has to consider leaving Emu.

The loophole out of this quagmire is in the Maastricht treaty 109j: "Should the starting point for stage III not be determined by the end of 1997 then stage III shall start on January 1, 1999. Before July 1, 1998 the Council confirms...by qualified majority...which member countries fulfil the necessary preconditions for the changeover into a unified currency."

So, just a new deadline has to be defined. Otherwise it is not certain the EU council in 1998 can find a qualified majority willing to send a sufficiently large number of countries into Emu. This would mean the silent death of the Maastricht Emu project.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday February 1 1996

Central banks to the rescue

This year is fast shaping up to be the year of the central banker-turned-saviour. With governments in the US and Europe hell-bent on fiscal prudence, the Bundesbank and the US Federal Reserve are being told that only they can save the world growth "pause" from turning into a recession. So far, at least, both seem happy to take on the job.

With the Bundesbank widely expected to reduce interest rates at today's council meeting, its members may opt to preserve their reputation for unpredictability by leaving official rates as they are. But they have already shown a strong bias towards cheaper money. The repo rate, which was set at 3.4 per cent yesterday, has fallen by nearly two thirds of a percentage point since last month's half-point cut in the discount rate.

In less angst-ridden times, Mr Hans Tietmeyer, the Bundesbank president, would probably want to bide his time before loosening policy even further. With inflation now running at a little over 2 per cent, short-term real interest rates are already well below the long-term average of 3 per cent. Equally, December money supply growth was somewhat higher than expected.

But these are not ordinary times. Germans have woken up to the fact that it is not only France that is in danger of digging itself into a recession in a potentially self-defeating attempt to qualify for European monetary union. The economic packages unveiled with much fanfare this week in Germany and France differed in approach. Yet each stimulus package promised far more than either government was in a position to deliver.

Mr Tietmeyer also has the US Federal Reserve to consider. A lower D-Mark would do more for Germany's immediate growth and employment prospects than interest-rate cuts alone can achieve. The D-Mark has fallen by about 5 per cent against the dollar since October, but it must fall further if the east German manufacturing sector is to produce a substantial increase in jobs for the region's unemployed. This may prove a forlorn hope if US interest rates continue to fall in lock-step with German ones or, worse still, even faster.

Mr Alan Greenspan, the Federal Reserve chairman, has less room to play the saviour than Mr Tietmeyer. The unemployment rate is only 5.6 per cent, close to the level usually associated with rising prices. However, other data suggest that growth may have slowed to an annual rate of 1½ per cent, below the estimated potential rate of a little over 2 per cent. To judge by yesterday's quarter of a percentage point reductions in both the discount and the federal funds rates, Mr Greenspan believes he can prod the economy back towards trend at little risk to inflation. This is good news for US mortgage-holders, and good for Mr Greenspan's reputation on Main Street. Mr Tietmeyer will be under heavy pressure to respond.

Disarming Chirac

"I feel today that I have accomplished one of the chief duties of my office, by endowing France with the means of her independence and security in the coming decades." Such was the boast of President Jacques Chirac on Monday night when he announced the end of France's nuclear test programme.

The statement is hardly credible. (Could six tests really achieve so much?) It strengthens the idea that Mr Chirac's motive for ordering the resumption of tests last summer was more political than technical or strictly military. The experts on whose advice he ostensibly acted certainly wanted more than six tests, and they are far from enthusiastic about the total ban on future tests which France is now committed to negotiate.

The French defence establishment will await with apprehension the initiatives for an "active and determined role in world disarmament" which Mr Chirac has promised to unveil in the next few weeks.

It could be that he has simply been bounced into espousing the cause of disarmament by the unexpected strength of world reaction to the test programme. But it is more charitable, and on the whole more plausible, to assume that Mr Chirac knew more or less what he was doing all along. On this interpretation, he needed the test programme to establish his authority, and his Gaullist credentials, precisely because he knew from the start that he would have to slaughter several sacred cows of Gaullist defence policy.

In this, as in much else, his government has built on positions already staked out by his rival Edouard Balladur during the last two years of François Mitterrand's reign. Mr Balladur's defence white paper of 1994 stressed the limits of what France could achieve by a purely national defence effort, and switched the emphasis to the contribution the country could make to a collective European defence.

That period also saw France develop a closer working relationship with Nato, particularly in the context of Bosnia. Mr Chirac has now formalised and generalised that new relationship, going about as far as he could without actually taking France back into the joint command structure or the nuclear planning group.

He has also recently signalled his desire to abolish conscription (a decision with a respectable Gaullist pedigree, since Charles de Gaulle first became known in the 1930s as the advocate of a professional army). This points the way to more efficient armed forces, but also almost certainly to much smaller ones, since man for man a professional army costs more than a conscript one. And there can be little doubt that the next sacred cow to come under Mr Chirac's knife will be the defence budget – the only one in a major Nato country to have escaped significant cuts since the end of the cold war.

Hormones

The US decision to challenge in the World Trade Organisation the European Union's ban on hormone-treated beef brings to a head a dispute which has stirred exceptionally strong passions on both sides of the Atlantic. For that reason, it poses a delicate test of the WTO's ability to uphold global rules, while maintaining their legitimacy in the eyes of public opinion.

The case is being brought under a new WTO requirement that trade restrictions applied on health and safety grounds be justified scientifically, if they are not covered by international agreements. On that criterion, the ban looks indefensible. Even the European Commission's scientific advisers have found no proof that hormone treatment is harmful.

Brussels insists the ban reflects strong concern among consumer groups and commands overwhelming political support – recently reaffirmed by farm ministers and the European parliament. That may well be so. But as a case for the defence, it amounts to arguing that trade restrictions should not be judged by the rules, but by their popularity in the countries imposing them.

However, any WTO-inspired move to lift the ban could face strong opposition. It is easy to imagine a rancorous confrontation developing over the right of international organisations to gainsay sovereign democratic decisions. That could hand ammunition to lobbyists who argue that the EU should ignore its WTO commitments when they conflict with its decisions in other areas, such as environmental policy.

In practice, if the EU lost the hormones case, it could choose to keep the ban, while the WTO authorised the US to continue retaliatory sanctions it imposed on EU exports several years ago. Such a course, though legal, would be ill-advised. The EU cannot afford to set a precedent which could encourage others to close their markets to its products on grounds as dubious as those it is employing. A defeat in this case would also undermine the laudable efforts by Sir Leon Brittan, the trade commissioner, to position the EU as a champion of open trade.

These risks should be avoided, if at all possible. The sensible alternative is for the EU to seek a compromise with the US and other beef exporters. It ought to be possible to agree on a system which allows hormone-treated meat to be imported, provided it is clearly labelled as such at the point of sale. US cattle producers have already said they would be ready to discuss such an approach. If Europeans are as profoundly averse to the use of growth-promoting hormones as politicians and consumer groups insist, they would be free to boycott products containing them. But at least they would have the right to choose.

Caught in the crossfire

With guided weapons decisive in modern warfare, three British orders are critical to the European missile industry, says **Bernard Gray**

In Bosnia last summer Nato aircraft often missed targets with conventional bombs, but 13 Tomahawk cruise missiles, launched against heavily defended areas which jets could not safely attack, scored 13 direct hits. Missiles are increasingly the primary weapon on the modern battlefield.

Over the next year the UK will order £2.5bn ($3.8bn) of missiles in three separate competitions which will decide whether Britain retains a significant guided weapons industry, and shape the future of the European missile market.

Yet – despite the fact that missiles are becoming the deciding factor in war – there are few signs that the UK Ministry of Defence feels the country needs to retain the technology to develop guided weapons.

The UK is looking for a cruise missile which can be fired from Royal Air Force fighters, which fly at least 250km at tree-top height, and destroy command bunkers, bridges and aircraft hangers. On top of this missile, the MoD wants an anti-tank weapon to be fired from aircraft, and a long range air-to-air missile, which will be the principal armament for the Eurofighter, the £32bn joint defence initiative.

The Procurement Executive, the weapons-buying arm of the MoD, is running separate competitions for each missile and will evaluate bids purely on the basis of bang for the MoD's very limited buck. Ministers will then decide whether its recommendations are politically acceptable, taking into account such questions as whether orders should be placed in the UK or abroad in the run-up to a general election.

Much depends on the three decisions. The proposed merger of the missile operations of British Aerospace and Matra of France, part of a wider European consolidation, hinges on the outcome of the cruise missile competition. Mr Henri Conze, the head of French defence procurement, has insisted that the contract should go to the Matra-BAe team as a token that the UK is committed to a European defence market.

Britain, says Mr Conze, allows US companies to compete for its missile contracts, while the US market is all but closed to Europeans. The US also restricts access to the technology of missiles it does sell abroad, making it difficult for foreign buyers to arm themselves if the US refuses to supply further equipment. According to the French, it is time for the British to choose which camp they are in. If the UK picks predominantly US weapons, it is likely to be excluded from the rationalisation of the European missile market.

The orders, furthermore, come at a time when missile production in the UK is split between several companies and has reached a very low ebb, partly because the MoD has already placed almost £7bn of missile contracts with the US in recent years. British Aerospace's missiles division employs only 3,000 people, compared with 16,000 in 1989. GEC-Marconi, the defence and electronics arm of the General Electric Company, has only one such programme, producing guided bombs for the United Arab Emirates.

Tha new orders will determine which UK companies, if any, survive as missile makers, and decide whether the country retains a missile industry.

That may be important in war because missiles are one of the few weapons which countries will ha able to produce rapidly and in quantity during a future conflict. With their highly complex systems, modern fighter aircraft take between two and three years to make, and warships even longer. Any but the most protracted war is likely to be a "come as you are" conflict, with the combatants having to rely on aircraft, ships and tanks they already hold in their arsenals. Missiles will be vital to defend those aircraft and ships which are available and to inflict damage on the enemy.

During the Gulf war, for example, the US started to run out of its Patriot anti-Scud missiles. Production was quickly increased, and staff at Lockheed Martin's plant in Orlando, Florida, tell of making a missile which was fired over Dhahran in Saudi Arabia less than 24 hours after it left the factory.

But if a country does not control technology and manufacturing for the missiles it needs, it can find it hard to get hold of wartime stocks. In both the Falklands conflict and the Gulf war, the UK had difficulty in borrowing additional US-made Sidewinder air-to-air missiles from some of its continental European Nato allies.

Equally importantly, argue the UK manufacturers, it can be difficult to export aircraft armed with foreign missiles. The UK will often be in competition with US or French aircraft manufacturers for export orders, so either country might be tempted to withhold permission for its missiles to be exported to third parties on British aircraft. Since aircraft are primarily platforms for carrying missiles, barring export licences would blight British export prospects.

The MoD is, however, wary of many of the arguments for maintaining a UK missile industry. Officials are currently reviewing the department's policy towards the UK's defence industrial base, with an eye to which technologies the UK needs to retain. In the past the MoD has been highly reluctant to regard any technologies, except nuclear weapons, as "special".

The MoD's traditional argument rest on two premises. First, it says that while it supports a UK defence industry, a variety of weapons are available from friendly nations which means that the UK does not have to be overly concerned about any particular equipment – including missiles. Second, it says that all modern complex weapons contain elements from so many different countries that it is impossible to ensure fully secure supplies of components anyway.

This approach is in marked contrast to that of the US, the only other western arms-making country with a competitive marketplace. On the rare occasions that the US buys whole weapons systems from overseas, it insists on all of the technology being transferred to the control of a US company, so that the Pentagon can be sure of its supplies.

However, even if the MoD was inclined to behave more like the Pentagon, the UK guided weapons industry may already have slipped past the point of no return. The substantial orders placed overseas in recent years by the MoD have left the UK little presence in many missile areas.

Britain has already withdrawn from long range ballistic missiles, and has only a niche position, with its new Rapier 2000, in air defence systems: these two segments of the missile market account for half of all sales worldwide. French and American weapons are dominant in anti-ship missiles, and in current air-to-air systems the US short range Sidewinder and longer range AMRAAM control the market.

Even where the UK does have expertise, the technology is split between manufacturers, and the UK cannot muster companies which make all of the relevant missile parts. GEC has skills in developing the missile seekers which identify and lock on to targets, while BAe has experience in aerodynamics, pulling the elements of the missile system together and integrating the weapons on to aircraft. But in areas such as cruise missile motors and certain types of warhead, the UK is already dependent on overseas manufacturers.

This splintered and partial capability has increased pressure for the UK to form part of a single European missile company, and is one of the reasons BAe and Matra have been negotiating a joint venture.

Aerospatiale of France and Daimler-Benz Aerospace of Germany have already agreed to pool their missile interests as a precursor to general consolidation. Yet the teams involved in the current competitions do not lend themselves easily to this outcome, even if the MoD is inclined to award tha contracts in a way that promotes a European alliance. There is a patchwork quilt of teams which alters from competition to competition: BAe is joining Matra for the cruise missile contest but with Hughes of the US in the anti-tank bid.

Only in the case of the Eurofighter missile is there a clear way through the thicket. That competition is likely to boil down to a bid by Hughes of the US with a beefed up version of its current Amraam missile, and a European consortium of several of the partners in Eurofighter: Britain, Germany, Italy and Spain, and possibly also France and Sweden. Because of the need to be able to export Eurofighter without restrictions, the contract is likely to go to the European consortium, if it can muster a half-way decent bid.

However, it remains to be seen whether there will be much of a UK industry to back the project. If the cruise missile contract is not placed with the BAe-Matra team, Matra has said it will call off the proposed merger.

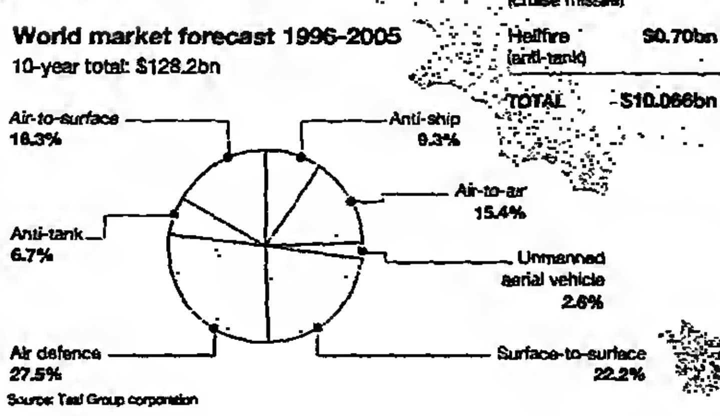
Since the British government says it supports a free market in defence equipment arguably the best solution for BAe's shareholders would be for the company to sell its missiles division to Hughes. That would leave the MoD stranded between restricted US technology and a European consortium in which Britain had no part for supply of many of its most important weapons; which was probably not what the MoD's mandarins had in mind when they first invited bids.

UK missiles under attack

UK missile procurement

From US		From Britain/Europe	
Trident	$7.90bn	Rapier (air defence)	$3.15bn
Amraam (air-to-air)	$0.23bn	Asraam (air-to-air)	$1.20bn
Harpoon (anti-ship)	$0.36bn	Sea Wolf (ship defence)	$1.15bn
Paveway (guided bomb)	$0.60bn	High-velocity missile	$0.60bn
Tomahawk (cruise missile)	$0.27bn	Alarm (anti-radar)	$1.20bn
Hellfire (anti-tank)	$0.70bn	Trigat*** (anti-tank)	$1.2bn
TOTAL	$10.066bn	TOTAL	$8.50bn

*** UK withdrawing from long-range version.
Source: UK Ministry of Defence.



Source: Teal Group corporation

Seven shots at the target

The RAF is looking for a cruise missile to fly into heavily defended areas and hit key targets with pinpoint accuracy. The MoD is considering seven contenders.

The front-runner is AirHawk from Hughes of the US. It uses the same terrain-following maps as Hughes' Tomahawk missile, which has an impressive operational record. However, AirHawk is expensive, and Hughes may suffer because it has had a limited presence in the UK.

British Aerospace and France's Matra are jointly offering a version of the French Apache cruise missile, which is also expensive, but is said to include radar-avoiding stealth technology.

McDonnell Douglas is fielding GrandSLAM, a stretched version of a missile which is already in use with the Royal Navy.

GEC of the UK is offering to beef up the guided bomb which it is producing for the United Arab Emirates, and Texas Instruments is also offering a boosted version of a US guided bomb, the Joint Stand Off Weapon.

The Israeli Popeye and the German KEPD 350 are thought to be outsiders. The winner should be known by July.

· O B S E R V E R ·

Barcelona under attack

■ Numancia has its place in Spanish legend, as the site of a local tribe's heroic stance against a Roman army. However, Numancia could go down in the Spanish history books tonight for another reason. Its local part-time football club takes on mighty Barcelona for a place in the semi-finals of the Spanish Cup.

The contest could be taken right out of a Roy of the Rovers comic strip. Numancia, struggling to stay in the third division, has already seen off three sides from the first division – Racing da Santander, Real Sociedad and Sporting de Gijón. Tonight's match is the most exciting thing to have happened for decades in Soria, capital of a backwoods province north of Madrid.

It can count on the support of a large part of the country, not just because it is the underdog but also because Barcelona is regarded almost as the national team of Catalonia. Any chance of seeing the Catalans humiliated is to be relished.

The contrast between the teams could hardly be greater. Most of Numancia's players mix their sport with studies. The club has just 1,200 members compared with Barcelona's 105,000. Its annual budget, Pta114m, is equivalent to 0.013 per cent of Barcelona's Pta8.6bn. It has had to lash out Pta17m on renting extra grandstand facilities, increasing capacity to an unheard-of 12,500 spectators.

The decisive return leg is in two weeks. Even if the whole town went, it would fill less than a third of Barcelona's stadium. Barcelona, which has won the cup no fewer than 22 times, is taking a studiously calm view of the encounter. But spare a thought for the referee. The previous heroes of Numancia in 133 BC burnt their town down and put themselves to the sword rather than swallow defeat.

Quids in

■ Not a happy ship, it would seem, the Securities and Exchange Commission at the moment. The latest to make for the exit is Linda Quinn, director of the corporation finance division. She follows Brandon Becker, director of market regulation, and Simon Lorne, the SEC's general counsel, who both jumped late last year.

Having totted up 16 years at the place, she was the SEC's longest serving director. But at the end of next month, she will be heading back to the more lucrative waters of private practice, with law firm Shearman & Sterling.

Many non-US companies have her to thank for supervising the Rule 144A amendment which has made it easier for foreigners to place securities in the US. But Quinn was reckoned to be dismayed by reforms to securities litigation legislation, designed to protect companies from frivolous suits but which critics say will deprive cheated investors from legal redress. Moreover, life at the SEC simply isn't much fun these days under Arthur Levitt, who wields a big stick and keeps the purse strings exceeding tight.

Up beat

■ As conductor Riccardo Muti rails at "chronic and comic Italian inefficiency", two things emerge about the tragic fire at La Fenice in Venice. Not only had the theatre's normal fire alarm been deactivated to make way for a new ultra modern system, but also the reason the surrounding canals had been drained was to remove decades of mud deposits that were hampering fire-fighters' access.

The last word, however, goes to Woody Allen. If arson were the cause, he mused, mindful of his engagement to play his clarinet at La Fenice in March, "the culprit could only have been a serious music-lover".

Sight unseen

■ Always an eye for a gap in the market, these Egyptians.

An opposition newspaper, Al Wafd, tells the story of a man paying his last respects to his father, who had died of a heart attack and was stored in a Cairo hospital morgue. To his horror, he discovered that the deceased's eyes had been removed.

When questioned, the morgue attendant told police that he filled regular orders from one of the state-owned Eye Banks, which then sold the corneas to hospitals for about $40. Its chairman, Mohamed Ibrahim, was thus placed in the potentially tricky situation of having to explain why corneas were taken without relatives' consent.

He hardly batted an eyelid. In his defence, the Eye Banks boss complained that the bureaucracy required to obtain consent was little short of murderous. And besides, a fatwa had been issued by Egypt's highest Islamic authority, the Mufti, which said it was not a sin to take corneas from the deceased as long as it was absolutely necessary.

The C-word

■ President Zedillo of Mexico was in full flood at The Royal Institute of International Affairs in London on Tuesday when his foreign minister passed him a note correcting his otherwise impeccable English. "Ah yes," said the president, "I have mixed up 'compromise' and 'commitment'. I have been doing that for the last 15 years."

The Financial Times

100 years ago

A shareholders' lament
Letter to the Editor: In October last, at a shareholders' meeting of the Gwelo (Matabeleland) Exploration and Development Company, the chairman announced that he was going to Lisbon to acquire a large concession from the Portuguese Government. The concession comprised all the lands between the Limpopo River on the east, the Transvaal Republic on the west and the Lomati River on the south with about 70 miles of coast on Delagoa Bay. He also stated that he hoped to return within two or three weeks. Over three-and-a-half months have since elapsed, and no information has been given the suffering shareholders who have seen their shares fall to a price at which they are unsaleable.

50 years ago

Democratic govt. for China
Generalissimo Chiang Kai-shek yesterday instructed the Kuomintang (Government Party) to accept the results and decisions of the All-Party Political Consultative Conference. In effect he is ordering the end of one-party rule in China. General Mao Tse-tung, chairman of the Central Committee of the Chinese Communist Party, is expecting her to join the Coalition Government which is being set up after 1st March.

FINANCIAL TIMES
Thursday February 1 1996

Polish parties choose new candidate for PM

By Christopher Bobinski in Warsaw and Anthony Robinson in London

An early end to the Polish political crisis was in sight last night after the leaders of both coalition parties agreed to put forward Mr Wlodzimierz Cimoszewicz from the ruling Democratic Left Alliance (SLD) to replace Mr Jozef Oleksy as prime minister.

Mr Oleksy, who resigned last week to contest allegations of spying for the KGB, is playing e key role in the negotiations for e new head of government after his election as chairman of the SLD over the weekend.

Yesterday, Mr Waldemar Pawlak, head of the Peasants party (PSL), and Mr Oleksy told President Alexander Kwasniewski that Mr Cimoszewicz was acceptable to both parties as a candidate for the premiership. Earlier the PSL had tried to secure the premiership for itself.

Mr Cimoszewicz, a 45-year-old lawyer and deputy speaker of the lower house of parliament, is widely seen as e pragmatic and relatively independent figure who is trusted by the former communists. He is also liked by the liberal democratic wing of the opposition Freedom Union.

As chairman of the constitutional committee, set up to draw up e new constitution, Mr Cimoszewicz is also well placed to steer the new constitution through parliament.

Mr Kwasniewski, who named Mr Wladyslaw Bartoszewski, the former foreign minister, as an another potential candidate for the premiership, is expected to announce his choice before his departure today for the World Economic Forum meeting in Davos, Switzerland.

Under the constitution, a prime minister designate has 14 days within which to form a new government and secure a vote of confidence in parliament.

In return for acceptance of SLD leadership of the coalition, the PSL is seeking more power within a new government.

The PSL, which represents the powerful farming lobby in a country where more than 40 per cent of the population still lives and works in the countryside, is particularly keen to increase its influence over the privatisation ministry and also wants the removal of Mr Jerzy Jaskiernia, the justice minister.

Fear that a government reshuffle would slow down the privatisation programme has helped to speed up some long-delayed privatisation deals. On Tuesday, Philip Morris of the US agreed to pay $227m for a controlling stake in ZPT Krakow, the country's largest tobacco plant, after months of difficult negotiations.

Profile, Page 2

Santer in jobs boost to aid progress on Emu

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, yesterday launched plans for e pan-European "confidence pact" in response to fears that the drive towards monetary union is putting people out of work.

He called on member states to "stay to the course" for the single currency, but proposed to spend an extra Ecu1.7bn ($2.15bn) by the end of the century on public works and research projects.

In a speech to the European Parliament billed as e counter-attack against the recent wave of scepticism about the proposed single currency, Mr Santer said it was vital for EU countries to work together to reduce budget deficits, control inflation, tackle unemployment – now at 18m – and kickstart economic growth.

His remedy is a "confidence pact" – e repackaging of existing macro-economic strategy, long-promised plans to dismantle labour market obstacles and closer co-operation between governments, employers and trade unions along the lines of this week's action plan for jobs in Germany.

The Santer initiative marks a more offensive stand by the European Commission, which has watched in frustration as calls for e delay in the Emu timetable have increased.

Mr Santer made clear he would not countenance e delay, but conceded that more needed to be done to tackle unemployment. In e move which could upset Britain, he announced that the Commission would press for employment to be addressed "explicitly and strongly" in this year's intergovernmental conference to review the Maastricht treaty.

Britain, which has an opt-out on EU social policy, is wary of corporatist solutions to unemployment. But Mr Santer said: "The continuing high level of unemployment is putting the cohesion of our societies at risk, it is shaking the foundations of our European model."

He intends to sell his plan to EU heads of government in e tour of EU capitals. He also announced plans for talks in May on unemployment, to be attended by trade union leaders and employers.

A shift in priorities is partly possible because of significant underspending on the Common Agricultural Policy thanks to reductions in farm production. Brussels has calculated that an extra Ecu1bn might be available for the trans-European networks, the multi-billion rail, road and telecoms projects. It believes it can also squeeze an extra Ecu700m for research and development.

Iberia row, Page 7

Ramos hit by coalition split

By Edward Luce in Manila

The administration of President Fidel Ramos of the Philippines was dealt e serious blow yesterday after the largest party in the ruling coalition left to form an opposition group in the senate.

The split, which could deprive the Ramos administration of a majority in the powerful upper house, raises doubts about the government's ability to enact several key but controversial economic reforms.

Among reform initiatives which economists say are vital to the further recovery of the Philippine economy are deregulation of the oil industry, a new tax system to enhance government revenues, and an anti-terrorism bill to fight a growing Islamic separatist movement in the south.

Senator Edgardo Angara, leader of the Liberal Democratic party (Laban), which left the ruling coalition yesterday, has made no secret of his ambition to run for president in 1998 when Mr Ramos is due to stand down.

It was not clear yesterday whether the smaller parties in the 24-member senate would join Mr Angara's opposition group to deprive the pro-administration Lakas party of its majority. Political commentators said it could take several days before wavering senators made up their minds.

"Yesterday's split signals the beginning of a very long war of attrition for the presidential crown in 1998," said Professor Alex Magno at the University of the Philippines. "Mr Angara's group will attack the president's reforms at every turn to put maximum distance between Angara's presidential bid and whoever Ramos promotes to inherit his party's nomination."

Mr Ramos, however, can count on the support of the 204 member House of Representatives where his Lakas party controls 130 seats. But, under the US-style constitution, the senate reserves the right to block and amend legislation passed by the lower house.

"President Ramos must push through some very important reforms this year to keep the economic momentum on track," said Mr Peter Wallace, director of AYC Consultants, which advises foreign investors.

Warning on German jobs

Continued from Page 1

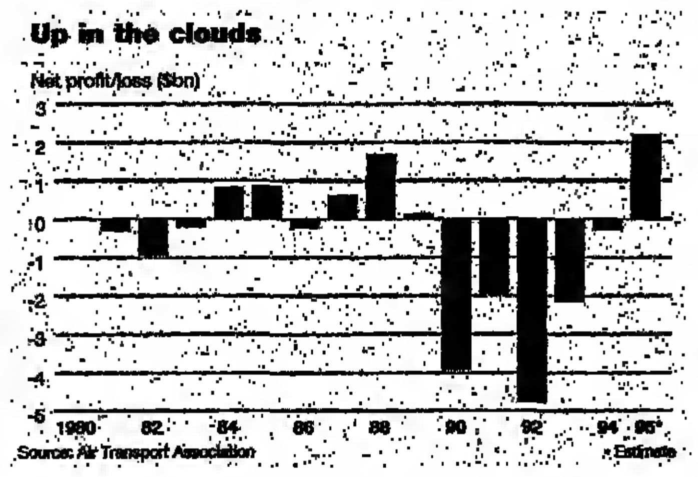
to cut social costs for companies, to reduce red tape and to lower the corporate tax burden.

As part of this week's economic package, the German government pledged to have a second look at tax rules, introduced at the beginning of the year, under which users of company cars pay tax on 1 per cent of the car's list price each month.

The VDA yesterday calculated that the car industry would lose between DM3bn and DM4bn in sales of new cars, about 5 per cent of domestic turnover, if the law remained in place.

Sensing e possible U-turn by the government, the industry is stepping up its efforts to remove the new tax.

Mr Helmut Werner, chairman of Mercedes-Benz, the luxury carmaker, said the impact of the tax was already being felt in the secondhand luxury cars market.



Source: Air Transport Association * Estimate

US airlines land on their feet

Continued from Page 1

Wall Street analysts said US airlines will also find it tough to improve on this performance in the current year since all the easy cost-cutting has already been accomplished.

Meanwhile, the big airlines are still being challenged by relentless competition from smaller, low-cost carriers. Southwest Airlines and ValuJet Airlines are expanding rapidly, and a newly resurrected Pan Am has said it would launch domestic services this summer at half the fares charged by existing carriers.

THE LEX COLUMN

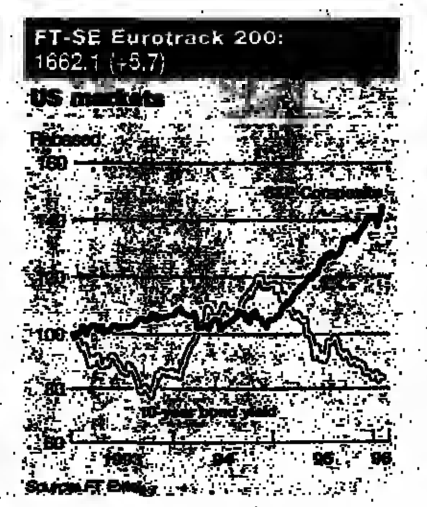
A cut in time

The latest quarter-point cut in US interest rates is good news for the markets, mainly because failure to cut would have been a severe disappointment. It is not difficult to justify the reduction; the latest data this week, including retail sales and producer prices, produced no evidence that economic growth or inflationary pressures are picking up. In fact, a further quarter-point cut in a month or so is also priced in. This is reasonable enough. It implies e real Federal funds rate of 2 per cent, viewed as e neutral policy stance.

The worry for the financial markets is that, for the moment, that looks like the end of the line. The Fed will not cut rates beyond that point unless it expects much worse economic news. Worse, the yield curve is now so flat that there is limited scope for long-dated bonds to rally without more rate cuts. And with inflation worries written off, any return of the spectre of inflation would cause jitters at the long end of the market.

This does not mean that a sharp downward correction is imminent. And as long as the inflationary environment remains benign, and growth slow, the bond market may well remain steady, allowing the stock market to continue its ascent. But US bonds look an increasingly risky investment.

The German bond markets' relative charms, meanwhile, are growing. Not only does the steeper yield curve in Germany leave more room for bond prices to rise, but the Bundesbank has clearly signalled a change of gear in monetary easing.



Fiat

Yesterday's mildly disappointing figures from Fiat suggest the group's recovery is running ont of puff. Despite severe cost cuts over the past two years, buoyant sales of its Punto small car and the weakness of the Italian lira, 1995 operating profits of L3,400bn ($2.1bn) were below most analysts' forecasts.

One problem has been a sharp decline in Brazilian car sales, traditionally a very profitable market for the Italian carmaker. The impact has been worsened by an increase in import tariffs to as high as 70 per cent. More worryingly, Fiat is experiencing cost pressures again. So far this has been confined to components, such as tyres. But the group has agreed to a 7-8 per cent increase in labour costs for this year, when wages at most of its international rivals are rising by less than 3 per cent. That will put pressure on Fiat's margins, which, at an estimated 2 per cent for the car division, are still below average.

The group's momentum this year depends heavily on the success of its new Bravo/Brava range. Italian sales have started well, but the breakthrough into export markets will have to be made against a European car market expected to grow just 2 per cent this year. Demand for the group'e trucks and agricultural machinery will not be much better. The steep decline in the share price over the past eight months reflects much of this uncertainty. But on nearly 18 times this year's earnings, the shares still look expensive compared with other European carmakers.

Enterprise Oil/Elf

Better e good divorce than e bad marriage. That is certainly true of the unwinding of Elf and Enterprise Oil's North Sea joint venture. Formed in 1991 as s convenient parking-place for part of Elf's stake in Enterprise, the operation turned out to be e lousy investment. Given that the joint venture was lumbered with £400m of bonds paying interest at 8% per cent, dismantling it was bound to be a temptation.

For Enterprise in particular, it is the right option. Instead of a minority stake in s joint venture, Enterprise will have full control over its share of the assets – and the right to sell them. For Elf, which owned two-thirds of the venture, the case for pulling out was less clear-cut. But the fact that it has been active in the North Sea on its own suggests the joint venture had become surplus to requirements.

By drawing a line under some of the messier episodes of its past – it has sold its stake in Lasmo as well – Enterprise is starting to fill the "strategy vacuum" which has worried investors ever since the Lasmo bid failed. More importantly, it has been lucky; recent discoveries in Norway, Denmark and Italy have done much to boost the company's future production profile. That, together with the fact that the shares have underperformed the market by 20 per cent since last January, makes them look distinctly reasonably priced. But with the oil price going through e bout of the jitters – and Lasmo arguably cheaper – they are not yet a bargain.

UK conglomerates

Claims that the British conglomerate is dead look premature despite Hanson's decision to break itself up. Hanson is a special case, with poor cash flow, high dividends, and a haphazard spread of mature businesses. One of the ironies of Hanson's demerger is that the most highly rated of its four parts will be the residual mini-conglomerate rather than the more focused chemicals, tobacco and energy businesses.

Indeed, the break-up of Hanson could lead to a renaissance for its peers. Its dismal share price performance during the 1990s has depressed the entire sector. Williams, Tomkins and BTR have all been tarred with the Hanson brush. However, they have all achieved higher returns on capital, invested more in expanding their businesses, and – but for Tomkins – have been steadily focusing on core areas of competence. Williams has shrunk to three related businesses, and BTR, while it retains e myriad of operating subsidiaries, has already undergone a dramatic clear-out. So long as conglomerates can continue to extract benefits from commercial links between subsidiaries, or pick-np undervalned businesses in areas where they have management expertise, their role should be safe. Hanson was the oddest one out.

There is scope for further portfolio restructuring – BTR could hive off its fast growing packaging business. But if Hanson's break-up heralds any change for conglomerates, it is likely to be revitalisation rather than death.

Lex comment on Alliance & Leicester, Page 22

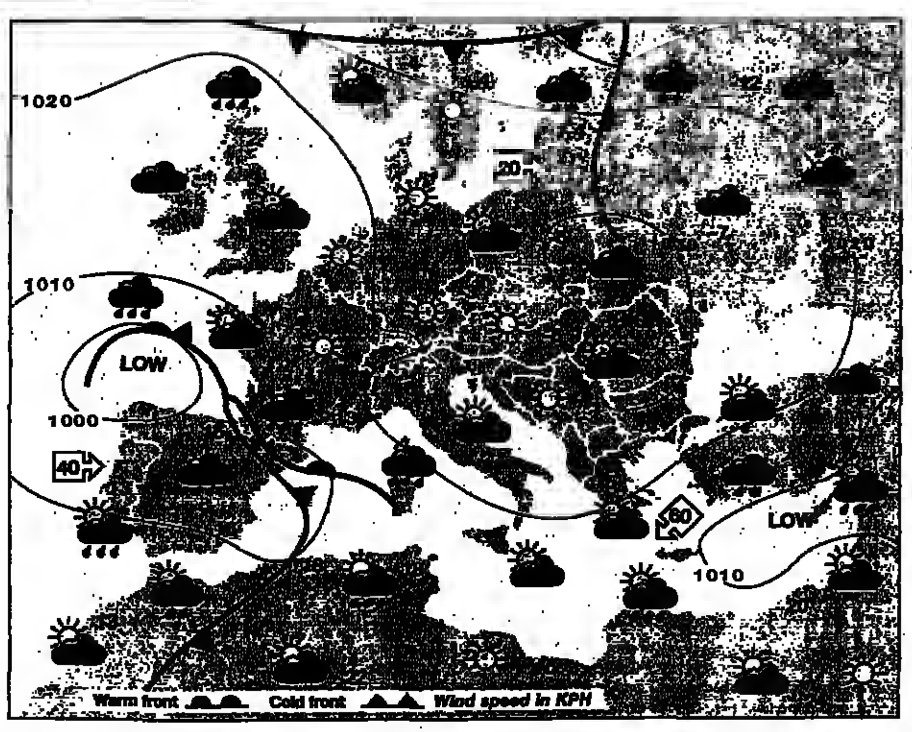
FT WEATHER GUIDE

Europe today

The Benelux, northern France and southern Germany will have a lot of sun but maximum temperatures will be around freezing. The Czech Republic, southern Poland and the countries surrounding the Alps will be sunny. Most of Russia will be cloudy. Scattered cloud will cross northern Poland and Germany. Russia will have some snow. Spain and, later, southern France will have e lot of cloud and rainy periods. Portugal will have showers. Showers will also occur in Turkey and Cyprus.

Five-day forecast

Spain, Portugal and, later, Italy will remain unsettled until the end of the weekend. During the weekend, cloud and rain will occur in the Balkans and will move towards Greece and Turkey. A disturbance will cross the western parts of the continent bringing rain to France and snow to the Benelux. During the weekend, there is likely to be snow in Alpine countries at the higher altitudes. The UK will be rather cloudy but mainly dry with sunny periods.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	0	Caracas	fair	29	Faro	shower	15	Madrid	rain	5	Rangoon	sun	31
		Celsius	Belfast	cloudy	2	Cardiff	fair	4	Frankfurt	sun	2	Majorca	rain	16	Reykjavik	fair	1
Abu Dhabi	sun	26	Belgrade	fair	-3	Casablanca	shower	16	Geneva	sun	1	Malta	fair	15	Rio	shower	34
Accra	fair	32	Berlin	fair	-3	Chicago	snow	-10	Gibraltar	shower	15	Manchester	cloudy	3	Rome	fair	13
Algiers	rain	19	Bermuda	shower	21	Cologne	sun	2	Glasgow	cloudy	2	Manila	fair	30	S. Frsco	fair	13
Amsterdam	sun	2	Bogota	cloudy	20	Dakar	sun	24	Hamburg	sun	-3	Melbourne	shower	22	Seoul	cloudy	-4
Athens	fair	5	Bombay	sun	33	Dallas	cloudy	7	Helsinki	cloudy	-1	Mexico City	sun	23	Singapore	shower	29
Atlanta	rain	9	Brussels	sun	3	Delhi	sun	23	Hong Kong	fair	16	Miami	fair	26	Stockholm	sun	-4
B. Aires	rain	25	Budapest	sun	-5	Dubai	sun	26	Honolulu	cloudy	27	Milan	fair	5	Strasbourg	sun	3
B.ham	fair	3	C.hagen	sun	-1	Dublin	cloudy	5	Istanbul	shower	2	Montreal	cloudy	-15	Sydney	sun	26
Bangkok	fair	32	Cairo	fair	20	Dubrovnik	sun	11	Jakarta	cloudy	30	Moscow	snow	-5	Tangier	shower	15
Barcelona	rain	12	Cape Town	fair	26	Edinburgh	cloudy	3	Jersey	fair	6	Munich	sun	-1	Tel Aviv	fair	20
									Karachi	sun	27	Nairobi	fair	26	Tokyo	fair	7
									Kuwait	fair	24	Naples	fair	11	Toronto	fair	-11
									L. Angeles	cloudy	15	Nassau	fair	27	Vancouver	sun	2
									Las Palmas	fair	21	New York	fair	-2	Venice	sun	6
									Lima	cloudy	27	Nice	cloudy	12	Vienna	sun	-4
									Lisbon	shower	13	Nicosia	cloudy	15	Warsaw	fair	-5
									London	fair	6	Oslo	fair	-4	Washington	cloudy	-1
									Lux.bourg	sun	3	Paris	sun	4	Wellington	fair	21
									Lyon	fair	2	Perth	sun	32	Winnipeg	fair	-30
									Madeira	fair	17	Prague	sun	-3	Zurich	sun	-3